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***Freedom From Hunger***

**Credit with Education for Women Program**

**Final Evaluation**

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Team Leader C Stark Biddle

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## ACRONYMS

BHR	Bureau of Humanitarian Response
CWE	Credit With Education
FFH	Freedom From Hunger
MCH	Mother-Child Health
MFI	Microfinance Institutions
PVC	Office of Private and Voluntary Cooperation
PVO	Private Voluntary Organization
USAID	United States Agency for International Development

## EXECUTIVE SUMMARY

This is a final evaluation of a five-year, \$3 million Matching Grant from USAID's Office of Private and Voluntary Cooperation (PVC) to Freedom from Hunger (FFH) of Davis, California for the years 1994 through 1998. The objectives of the grant were to further test a delivery model, strengthen FFH's delivery capacity and give poor rural households access to more and better food and knowledge of health care practices in order to improve maternal and child health.

The purpose of the evaluation is to measure the progress made by FFH toward the goals of the Matching Grant and to assess FFH from an institutional perspective. The evaluation included two trips to FFH headquarters and a field visit to Bolivia.

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FFH is unique in its sustained, focused and systematic concentration on a distinctive approach to poverty alleviation. In 1988, FFH made a deliberate transition to a new program. The transition has had a defining impact on core values and the way that FFH currently operates. In particular this takes expression in FFH's ownership of and commitment to the Credit with Education (CWE) approach and a disinclination to deviate from the application of that model at least for the foreseeable future.

Despite its somewhat removed physical location, FFH is integrally connected to a variety of organizations through a web of institutional affiliations. In a broader sense, FFH is but one organization in a "guild" of organizations that work in the discipline of micro-finance, albeit quite distinctive in that the core and driving interest of the organization is hunger, nutrition and health. As such, FFH both influences and is influenced by a complex set of institutional beliefs, values, trends and practices that emerge from the micro-enterprise movement.

The FFH model is comprised of a blend of micro-credit and health and nutrition education. It integrates health, nutrition and family planning services into a structure of credit and savings networks for very poor rural women. In addition, FFH has elaborated these core components with a standard set of formatted procedures and practices.

FFH is an organization with an integrated and well-aligned set of fundamental principles that are broadly shared by the staff and leadership and that give FFH a distinctive identity that helps offset some of its unavoidable institutional weaknesses such as its small size and remote location.

At this point in its development, the CWE program and FFH as an organization are virtually coterminous. FFH is a single product organization. However, the sharp programmatic focus should not obscure the fact that the shift from an on-the-ground, implementing organization to a facilitative role constitutes a very significant

transformation with deep implications for the long-term viability of the organization

The basic strands of the FFH strategy have much to recommend them the micro-finance movement is fashionable, the addition of a health education component for the very poor adds an attractive benefit, the debate within the micro-finance community about the balance point between business and welfare provides an opening that FFH can constructively exploit and FFH has a clear identity and a good reputation There are several important caveats They include insularity of perspective, narrowness of approach, rootlessness and donor “stovepiping”

FFH is an organization that engages in an extensive amount of planning Planning occurs at both the organizational and program level The Practitioner Services Business Plan outlines a strategic approach, describes a potential market, identifies the competition, addresses pricing issues and establishes a growth path for the Team and the program The dangers in the FFH strategy are narrowness of approach, and excessive dependence on a single product Also, the shift to a catalytic role is likely to be more problematic and difficult than surfaces from the enthusiastic documents that describe this transition

Key findings include

- The credit with education program has effectively responded to the *goal and purpose* of the Matching Grant
- Program results during the grant period appear to be broadly supportive of and compatible with the strategic objectives of PVC
- The FFH/CWE program has achieved a rate and degree of organizational sustainability that is reasonably compliant with the original intent of the Matching Grant
- As an organization, FFH has a strong and convincing commitment to sustainability that permeates the organization and that is reflected in its relations with clients and partner organizations
- FFH deserves substantial credit for beginning to address the implications of a predominant concentration on sustainability and “bottom line” performance at the expense of social purpose objectives
- The FFH/CWE approach has the attributes of a “model” in that it is distinctive and seen as an FFH product
- The CWE approach fills an important niche in the micro-credit field through its emphasis on social impact, the priority it accords to reaching poor women in remote areas and the lending and education package that is tailored to the particular needs of the poor

- The *direct* (unburdened) monetary cost of the educational component of the CWE program is quite modest and none of the studies or evaluations that were reviewed for this evaluation raised educational cost as a serious issue
- Studies and observation support the basic contention that the CWE approach has a dual impact - - providing credit to help support enterprise growth and educating participants in improved Mother-Child Health (MCH) practices Whether or not there is a significant degree of erosion in the credit component as a result of bundling education or a reduction in the education component as a consequence of the linkage with credit has not been determined
- A serious potential deficiency of FFH's micro-credit approach is the possibility that significant shares of borrowed funds are being allocated to non-productive household consumption rather than capital formation and enterprise development objective
- In-country management ability is the single most important indicator of program success Management of a micro-credit program is difficult to begin with and doubly so with the addition of the education component and a decision to work in remote rural areas and with very poor women A very real long term issue is whether independent local organizations will have the ability to manage both a credit and an education program For CWE, the issue of sustainability is less financial and much more organizational
- Developing local partnerships has been challenging Difficulties include the tension between a well-tested model on the one hand and organizational independence on the other Other difficulties include the small size of the FFH staff, limited capacity to engage in the labor intensive process of mentoring and hand holding required in partnership relations and the inherent tensions that accompany partnerships involving financial programs because of the greater need for accountability and oversight
- FFH has made a very serious and honest effort to build strong partnerships with mixed success due in good part to the inherent characteristics of the model The record suggests that the decision to gradually move away from a direct operational role is a wise one at least from the point of view of comparative advantage
- FFH is well integrated and has a clear and focused sense of mission and purpose There is broad consensus with regard to strategy and objectives and with respect to the difficulties and opportunities that will affect the future of the organization
- FFH will need to continually balance between a dual identity of being a "bottom-line" credit organization on the one hand and a poverty oriented development agency on the other
- A serious external concern is prevalent outside skepticism toward the benefits of integrating education with credit To some degree this is irrational and reflects the ideology of the micro-finance movement FFH can serve an extremely valuable role

by continuing to challenge conventional wisdom

- Strategic dangers include insularity of perspective, a narrowness of approach and absence of direct operational experience
- FFH takes planning very seriously and uses the planning process to articulate objectives, identify issues and chart direction. The Practitioner Services Business Plan is a thoughtful and well-developed strategy for moving toward financial independence
- Leadership appears to be strong and characterized by alignment of beliefs, a high level of technical competence and strong interpersonal skills. The level of internal tension and dysfunctional behavior appears to be quite low
- While difficult to document, the current staff complement appears to be modestly below the optimal level given the range, complexity and diversity of what FFH is attempting to accomplish. Senior management appears to be stretched too thin
- The team-based structure is, on balance, appropriate for what FFH does
- FFH is very much a “learning organization” and gives considerable emphasis to internal self-examination and to the importance of evaluations and impact research
- FFH has developed a variety of monitoring and evaluation techniques. As noted, evaluation and research are taken very seriously. One of the most important functions that FFH should continue to play is that of provocateur to the micro-finance movement. To do this convincingly, FFH will need to maintain a strong analytical capacity

## **1 INTRODUCTION**

This is a final evaluation of a five-year, \$3 million Matching Grant from USAID's Office of Private and Voluntary Cooperation (PVC) to Freedom from Hunger (FFH) of Davis, California for the years 1994 through 1998. The objectives of the grant were to further test a delivery model, strengthen FFH's delivery capacity and give poor rural households access to more and better food and knowledge of health care practices in order to improve maternal and child health.

The grant supported a program designed and managed by FFH called Credit with Education (CWE) that was intended to achieve the preceding objectives and that funded seven country programs and related headquarters costs. The CWE Program combines the provision of credit using the village banking model with an educational program designed to enhance maternal and child health practices.

### **1.1 Purpose of Evaluation**

This evaluation has two related objectives. The first is to measure the progress made by FFH toward the initial goals and purposes of the Matching Grant and with respect to a set of designated results that are relevant to the goals of the Office of Private and Voluntary Cooperation. The second is to assess Freedom from Hunger from an institutional perspective and to review the fundamental strategic issues that the organization is or will be facing.

Because FFH is applying for a follow-on Matching Grant, the findings and analysis in this evaluation may be pertinent to a review of that application. However, it should be noted that this assessment does not constitute a critique of that application.

### **1.2 Approach**

This evaluation was conducted from January through March, 1999 and included two trips to Davis, California and a week long field site visit to Bolivia. Direct and/or telephone interviews were conducted with most of the staff of the International Center and with several outside observers including consultants, micro-finance advisors and officials of USAID who work in the micro-finance area. At a mid-point in the evaluation, the evaluator provided USAID/BHR/PVC officials with a briefing on the status of the evaluation and on preliminary findings. Prior to preparation of the final report, the evaluator provided an advance rough draft to Freedom from Hunger for comment. These comments were reviewed and many were incorporated into the final version.

The report is divided into two basic sections. The first addresses the question of impact and results and examines this topic from the perspective of the objectives set forth in the original Matching Grant Application and also with regard to PVC's strategic goals. This section includes a discussion of indicators and the subject of sustainability. The second section looks at the organizational and institutional questions and includes a critique of

the CWE model, a discussion of organizational strategy, planning, leadership and other matters pertaining to organizational growth

Inevitably there is some duplication between the discussions in these two sections

The Report contains a number of findings based on and derived from the narrative analysis. These are grouped in a final section of the report. Since this is a final evaluation the report does not contain specific recommendations although in some instances these are implicit in the content of the finding.

This Report does not attempt a technical assessment of the financial aspects of village banking methodology. This subject is addressed in some detail by numerous studies, some cited in this evaluation.

## 2 BACKGROUND

### 2.1 Freedom from Hunger<sup>1</sup>

FFH was established in 1946 as Meals for Millions. The organization's original purpose was to provide emergency food relief through the production and distribution of multi-purpose food packages, a nutrient rich, concentrated food that had been created by the founders of the organization, Clifford Clinton a Californian businessman and Henry Borsook, a food scientist and biochemist at Cal Tech. The core and abiding goal of the organization was to alleviate chronic hunger among the poor.

In the early 1970's, Meals for Millions shifted away from the direct provision of emergency food to a focus on education and on helping the poor learn how to effectively cope with the root causes of food insecurity and chronic hunger. In 1978, Meals for Millions merged with American Freedom from Hunger whose purpose was to raise public consciousness about the causes of and solutions to the problems of world hunger. Ten years later the name of the organization was shortened to Freedom from Hunger to emphasize the thematic union of the two organizations and the shift in focus away from the direct provision of emergency food. In the early 1980's FFH began to concentrate on providing community based Applied Nutrition Programs. The approach involved a wide variety of multi-sectoral interventions designed to enhance nutritional status, directed by local staff in collaboration with national organizations, frequently associated with governmental Ministries of Health. By 1986, with support from USAID, churches, foundations and individual donations, the FFH program was growing, flourishing and at the same time diversifying into many different forms albeit loosely related to the alleviation of hunger and improved nutrition.

In mid 1985, FFH employed a new President - Harlan Hobgood - who had extensive USAID experience. Hobgood believed that FFH could have much greater impact if it moved away from the provision of direct services and adopted an indirect but more catalytic role. While these suggestions were controversial, they did stimulate a serious process of self examination and reflection including a series of staff discussions facilitated by outside consultants, including David Korten who stressed the importance of concentration and adherence to "distinctive competencies" and Jeffrey Ashe who introduced the staff to the work of the Grameen Bank in Bangladesh and the intriguing idea of sustainable credit. The relevance of these issues was underscored by several program evaluations that raised concern regarding FFH's splintered approach, the lack of programmatic coherence and the fact that FFH in-country programs were not likely to be sustainable after the FFH presence was ended. The 1986-1988 period was an extremely difficult one for FFH and included these challenges.

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<sup>1</sup> Much of the material for this section was drawn from a case study written by FFH staff, augmented by interviews with staff Chris Dunford, William Le Clere and Ellen Vor der Bruegge, Freedom from Hunger, "A Case Study in Credit with Education for Women."

- Heated internal staff debate regarding the utility and content of the program and the future of the organization with the staff polarized into two groups - those in favor of a concentrated and narrow focus and those in favor of a more diversified approach
- A change in leadership with the departure of Hobgood in mid 1988 coupled with the attendant pressures and anxieties that normally accompany any leadership change, particularly in an organization that is engaged in the type of change process that surfaces differences regarding fundamental principles
- A financial crisis that resulted from a drop in donations coupled with higher than anticipated program costs for a net annual deficit in 1988 of \$700,000
- A 30% cut back in headquarters staff necessitated by the grave budgetary situation

This period of difficult turmoil created intense pressure for change and for a clear strategic direction. The departure of those headquarters staff that favored continuation of the diversified approach encouraged the ascendance of the focused approach and an emphasis on finding FFH's "distinctive competence." In late 1988, senior program staff formulated a core approach that blended the predominant themes that had shaped FFH/Meals for Millions: nutrition and the alleviation of hunger, education and awareness, self-help and self-reliance and coupled these with village banking methodology which was just beginning to become popular. The result, after difficult internal debate, was *Credit with Education* which, on the one hand, was a rather clever packaging of diverse elements that would likely appeal to donors and, on the other, a skillful combinational approach that might yield quite substantial developmental benefits by providing a social welfare outcome from micro-lending.

While the integrating concept was reasonably clear, FFH had to go through the difficult process of bringing existing country programs into line with the new credit with education approach and the philosophy of concentration and focus. Four country programs were phased out (Kenya, Sierra Leone, Nepal and Ecuador) and five were maintained and converted to the new Credit with Education methodology (Honduras, Bolivia, Ghana, Mali and Thailand). Importantly, during this period of deep and comprehensive re-structuring, FFH received support from USAID/PVC in the form of a Partnership Grant that provided the budgetary flexibility to work through the transition period and design, test and develop a new program approach.<sup>2</sup>

At the same time, the transition to the new approach has created some interesting dilemmas that FFH candidly notes in its own case study. These include

- Misgivings on the Board of Directors with regard to what might be perceived as a

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<sup>2</sup> This was Freedom House's second Matching Grant and covered the period 1988-93. The importance of this grant cannot be overestimated and in fact, according to the President, it "saved" the organization from likely demise.

radical shift away from an emphasis on food security for the poorest to becoming a banking organization for the better off (Together with some related confusion regarding the relationship between educational health programs and their relation to food security )

- Concern that financially sustainable subsidiary organizations would no longer need to maintain any relationship with the parent entity, thus leaving FFH afloat without the anchor of an overseas program
- Worry that a gradual decline in overseas operations would discourage charitable donations that are motivated by a desire to have a direct impact on the lives of children and poor families

In addition, the new approach raised a basic question of whether or not it was possible to package a credit and an education program without canceling the benefits of one or both. The concerns that FFH had to address and continues to address are

- The extra cost of education will mean that the program is too costly and therefore not sustainable
- Participants are only interested in the credit and will pay little or no attention to health education
- Credit programs are very difficult to administer and if you add an education component and also an emphasis on remote areas and the very poor you are creating a structure that cannot be managed effectively
- Micro-credit programs must be designed and delivered in a very special way - - deviation from "best practices" cannot be tolerated and the mixing of education and credit is heretical

FFH's deliberate transition to a new program model is an interesting case study in organizational change and the experience has been recorded in several case studies that FFH itself has prepared. Several aspects are worthy of note including the important influence of outside advisors, the sustaining commitment to poverty issues, the struggle to blend FFH's traditional emphases with new initiatives and the conscious and somewhat cerebral approach to program design. Rather than diversify across a broad spectrum of programs in order to increase the chance of success and the probability of funder support - - as many organizations would do - - FFH chose a narrower and more concentrated strategy that was risky and would have proven costly if unsuccessful.

FFH is currently a medium size PVO with annual (1998) revenue of roughly \$4.5 million and a full time staff of 35 with 30 located at the International Center in Davis, California and the balance posted to overseas locations. Approximately one-third of FFH's income

comes from a variety of grants from USAID, about half comes from individual, corporate and foundation support and the balance is derived from income from technical assistance and earnings from investments

Despite its somewhat removed physical location, FFH is integrally connected to a variety of organizations through a web of institutional affiliations and networks. These include the SEEP Network, InterAction, the Credit with Education Learning Exchange, CORE (a child survival counterpart to SEEP), bilateral linkages with other PVOs such as Plan International and Katalysis, and the newly established FFH Associates - - a selected group of individuals who are conversant with the CWE methodology and who can be used by FFH in a consulting capacity to work with clients who are interested in adopting the CWE approach

In a broader sense, FFH is but one organization in a "guild" of organizations that work in the discipline of micro-finance, albeit quite distinctive in that the core and driving interest of the organization is hunger, nutrition and health. As such, FFH both influences and is influenced by a complex set of institutional beliefs, values, trends and practices that emerge from the micro-enterprise movement. The direction and composition of these shifting norms is very important to FFH's future both in terms of influencing what FFH does and how it is perceived by funders and within the micro-enterprise community. This is particularly evident in the debate that is now emerging regarding the appropriate balance between an emphasis on sustainable financial services on the one hand and poverty alleviation on the other. If the micro-finance movement - - and the donor and government money that sustains it - - moves toward an exclusive concentration on financial best practices, financial sustainability and credit solely for credit's sake, poverty oriented programs like FFH/CWE are likely to suffer

## **2.2 The Current Matching Grant**

FFH has received three significant grants from USAID/PVC's Matching Grant Program. The first was a three-year Matching Grant from 1985-1988. The second was a five-year Partnership Grant from 1988 to 1993 which supported the recasting of the FFH program (as described above) and financed demonstration activities in six countries and convinced the FFH staff that CWE was an effective and viable strategy. The third is the current Matching Grant for \$3 million, for a five-year period, 1994 through 1998 which was basically intended to validate and consolidate the CWE approach and FFH's distinctive competence in that programmatic area.

In addition to these three grants, FFH has received a one-year bridging grant of \$300,000 for 1999 to provide interim support between the end of the third Matching Grant and first disbursement under the fourth grant should the application for those funds be approved.

The original intent of the current Matching Grant was that USAID/PVC funds would "leverage" an additional \$20 million from other donors and from FFH itself for a total program of \$23 million. Roughly one-third of USAID funds would be allocated to the

International Center at Davis with the balance to be spread to 6 countries Burkina Faso, Ghana, Honduras, Nepal, Nigeria and Togo Matching Grant objectives - - discussed in greater detail below - - were to perfect the CWE model and support FFH's effort to demonstrate to others that the CWE approach could be scaled up to "near self-financing levels of sustainability and replicated cost-effectively "

The actual allocation of Matching Grant funds has been quite different from the original plan that was set forth in the Application to USAID as illustrated in Table #1

**Matching Grant Allocation of Funds  
Plan vs Actual (in \$ thousands)**

	Original Plan		Actual	
	Matching Grant	Other Sources	Matching Grant	Other Sources
<b>Int Center</b>	1,085	6,671	1,806	3,799
<b>Bolivia</b>	-	3,369	287	2,425
<b>Burkina Faso</b>	399	1,756	107	447
<b>Ghana</b>	480	2,071	181	1,234
<b>Honduras</b>	195	1,230	80	464
<b>Mali</b>	-	2,616	189	1,454
<b>Nepal</b>	276	593	-	-
<b>Nigeria</b>	205	578	-	-
<b>Togo</b>	360	1,113	82	106
<b>Uganda</b>	-	-	203	255
<b>Not allocated</b>	-	-	65	-
<b>Total</b>	3,000	19,997	3,000	10 184

There are a variety of reasons for variations of the plan The program in Nepal was not approved by USAID and efforts in that country were phased out The program in Nigeria was dropped for political reasons and replaced by a new program in Uganda that was begun in 1966 Some activity has been supported in Togo but start up was delayed because of civil disturbances Deviations of the plan in other countries reflect differential start-up rates, re-programming of funds from Nigeria and a broad array of implementation challenges

With regard to leveraging other sources of income, while the magnitude of contributed income from other sources is very substantial and the requirement to match grant funds has been exceeded, the totals are significantly below the amounts forecast in the original Matching Grant application

## 2 3 Summary of Activity During Grant Period

To summarize and provide a capsule overview of the programs key activities during the 5 years of the Matching Grant

**International Center** Strengthened capacity to provide technical support to country programs, established Learning Exchange to bring together groups that are committed to providing financial services and education to the very poor, designed and started the Practitioner Service's Team, strengthened research and evaluation capacity, conducted research and evaluation studies in Bolivia, Ghana and elsewhere, established working relations with international partners such as the World Council of Credit Unions and Development International Desjardins, improved the monitoring and reporting system, further elaborated the CWE model, prepared standardized tools, guides and materials to help implement CWE

**Bolivia** Twelve thousand women served through FFH's subsidiary, CRECER, projected to soon reach operational self- sufficiency, significant grants from the USAID/G/MD/IGP and from local funders, plan for complete independence prepared and CRECER will be independent by the end of 2000

**Burkina Faso** Established successful partnership with a federation of credit unions, serving as an example of how the CWE model could be expanded in other countries, local affiliate is now completely independent, prospects for sustainability are very good with tight management and high repayment rates, operational self- sufficiency has already been achieved in one region

**Ghana** Supported six local joint venture partnerships with Rural Banks and an urban micro-finance program serving over 10,000 women, technical support established in 1992 is becoming an independent organization to promote CWE and provide technical assistance, all local partners are fully independent

**Honduras** FAMA is fully independent and thriving with strong alliance relations with local partners and a US PVO brokered by FFH, CWE refined and adapted to local situation

**Mali** Two successful joint ventures with local federations of credit unions, CWE services provided to nearly 25,000 women, establishment in May 1998 of a technical services office to promote and advise on CWE

**Togo** Political unrest and the pullout of USAID slowed program growth, despite these difficulties, program installed with Federation of Credit Unions is growing and 200 credit associations have been established

**Uganda** FOCCAS registered in 1998 and is now functioning as an independent, locally registered NGO, business plan developed and operations begun, high

repayments to date

In 1996, USAID conducted a mid-term evaluation of the Matching Grant. That evaluation focused primarily on the implementation of the village banking model and methodology and on procedures and practices used by FFH to deliver its educational messages to women members of credit associations. The evaluation was fundamentally positive and supportive and concluded that FFH was on track with respect to the goals and objectives of the Matching Grant. However, the mid-term evaluation made a number of recommendations that addressed the operations of the credit associations, partnership relations, the educational component, relations with the International Center and the rate of progress toward sustainability. By and large it appears that FFH has agreed with these recommendations and taken steps to address the specific concerns raised by the evaluation. The FFH response is detailed in FFH's Fifth Annual Report <sup>3</sup>

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<sup>3</sup> Fifth Annual Report, January 1999, pages 7-9

### 3 PROGRAM IMPACT

This Section of the Report is divided into two parts. The first part discusses results in relationship to the goals and purposes set forth in the narrative and the logical framework of the Matching Grant, as revised in October 1996. The second part provides a brief summary discussion of results in relationship to several intermediate indicators that the PVC office employs to monitor its success in achieving its own strategic objectives. In general, the first part of this discussion addresses ultimate programmatic results or impact at the level of the individual participant. The second part of the discussion deals in general with institutional matters such as improved technical capacity and partnership relations. These comments are further amplified in the section of the Report that deals with the effectiveness of the FFH/CWE approach or model.

#### 3.1 Overall Matching Grant Objectives

The Matching Grant to FFH that is the subject of this evaluation had an interrelated set of programmatic and institutional objectives. The *institutional* objectives of the Matching Grant involved further design, testing and implementation of the CWE model to demonstrate how the credit with education program could be expanded to become nearly financially sustainable and replicated cost effectively to promote self help among a large number of very poor rural women. The institutional objectives included such matters as establishing effective partnerships, achieving organizational sustainability, replicating program impact and the efficient management of a complex village banking system.

The programmatic objectives derived from the institutional and were centered on helping the "vulnerable poor" to better manage the causes of hunger and malnutrition and involved a set of fairly specific anticipated outcomes.

The Matching Grant also had a related set of *supporting organizational* objectives that are less easy to capsule but which centered on continued growth and maturation of FFH as an "entrepreneurial development enterprise and catalyst [capable of] reaching large impact."<sup>4</sup>

While closely related, the two sets of objectives - institutional and programmatic - were not entirely coterminous. Thus, FFH might through great diligence reach "from 32,000 to 70,000 very poor rural women", help them gain access to food and change the way they dealt with such matters as family planning, immunization, and breast-feeding while not convincingly demonstrating that CWE was financially viable or an approach that could be employed in village banking. Similarly, FFH might be successful in establishing a program that was cost-effective, replicable and sustainable but that did not fundamentally alter the economic, health or nutritional status of poor rural families.

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<sup>4</sup> Application for USAID Matching Grant, 1993-1998, November 2, 1992

### 3 2 Goal and Purpose Program Results

The Matching Grant application includes a traditional logical framework that sets out a goal, a purpose and a series of outputs and inputs and that, in simple language, constitutes a set of grant objectives. The following brief discussion employs the terminology of this “log frame”<sup>5</sup>

The fundamental *goal* of this Matching Grant was to improve the access of participating poor, rural households to more and better food and to enhance maternal and child survival and health. While somewhat of an oversimplification, access to food was to be improved through the provision of credit while improved health was to be achieved through education. Progress toward the goal was to be measured by fewer reports of food deprivation, improved food intake and a decline in the factors associated with maternal/child mortality and morbidity after two years of participation in the program.

The fundamental *purpose* of the Matching Grant was to use CWE to change the personal behavior of participants in such areas as family planning and maternal and child health. Progress in this area was to be measured indirectly by the level of participation in newly established credit associations, the adoption of desirable health and nutrition practices such as breast feeding and child immunization.

A series of studies, research papers and evaluations together with FFH’s own monitoring data support FFH’s contention that the credit with education program has effectively responded to the *goal* and *purpose* of the Matching Grant. This is particularly evident in cases where progress can be measured quantitatively - - number of members, number of credit associations - - and reasonably though not conclusively apparent with respect to qualitative change - - changed behavior, improved health and nutrition status.

First, with respect to *quantitative* goals pertaining to the initiation and growth of the CWE program

- It was the intent of the Matching Grant that at a minimum 2000 women would participate in the program (i.e. take loans and attend meetings) in each country and

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<sup>5</sup> As a reading of the preceding paragraphs may illustrate, a clear and simple understanding of grant objectives and a clear picture of progress against these objectives is not easy to come by. The Matching Grant has a wide range of overlapping objectives that included helping FFH mature as an organization, testing the validity of the CWE program and having a direct and useful impact on the lives of poor people. While the intent of the log frame is to make these relationships clear, the convoluted language of goals, purposes, outputs and inputs seems to accomplish just the opposite and this is made more complex by the addition of cross-cutting objectives that are added because they don’t neatly fit the log frame structure. Intuitively, the multiple and related purposes of the Matching Grant are quite clear. However, the cumbersome manner in which they are presented tends to obscure the very real accomplishments that FFH has made. Whether this is because the log frame methodology was not correctly employed or whether that planning structure is not appropriate is difficult to determine. However, what is clear, is that it takes a great deal of time and effort to sort through a reasonably simple set of objectives that could have been put down in a few declarative sentences.

that in two countries a minimum of 10,000 women would participate. This would have resulted in total participation of 32,000. Results to date have far exceeded these modest goals. Over the five year period the number of borrowers has grown from 3,000 to 84,000, the number of credit associations has grown from under 200 to roughly 3,700 and the amount of outstanding loans have increased from \$195 thousand to roughly \$2.4 million. While FFH would readily admit some degree of weakness in the quality of data, it is evident that the program has grown at a significantly faster pace than originally planned.

Second, with respect to *qualitative* goals and purposes that pertain to access to food and improved maternal and child health:

- Three research papers prepared by FFH provided a support for the argument that CWE has a positive impact on health and nutritional status. The first, in February 1996 summarized extant research and literature on the dynamic relationship between income and food security and between access to credit, behavioral change and empowerment. This Report noted that current research does not conclusively prove that access to credit will enhance nutrition and health. However, there is evidence that poverty lending raises income, that income and food security are linked, that access to credit empowers women and that *without* education the benefits of poverty lending are unlikely to be realized.
- The second paper in April of 1996 reported on preliminary results from several FFH programs. This study concluded that knowledge had been transferred, noted a positive change in attitudes and identified the gradual emergence of new household economic strategies. The study did not indicate whether improved knowledge led to improved practice or whether the program had a measurable impact on nutritional status.
- A third research paper prepared in July 1996 examined the qualitative impact of CWE in Burkina Faso. This report was based on in depth interviews with virtually all members of three credit associations two years after program inception. The health/nutrition related findings from this analysis included improved awareness of caregiving practices for infants and children, enhanced understanding of how to prevent and treat diarrhea episodes, more positive attitudes toward modern medicine and growing understanding and interest in family planning techniques.
- In 1998, FFH in collaboration with the Program in International Nutrition at UC/Davis reported on a comprehensive study of the impact of CWE on health and nutrition in Ghana. The study made anthropometric comparisons between a 1993 baseline and 1996 follow up survey. A control group that had not received any CWE was established for purposes of comparison. The results from the Ghana study were positive and encouraging. The economic impact of CWE included a significant increase in earnings, diversification of income source, a growth in entrepreneurial skills and an increase in the level of savings. With regard to health and nutrition

practices, the Ghana study found positive changes in breastfeeding practices, and in a range of other health and nutrition practices that are promoted by the CWE program. The Ghana study provided evidence that CWE can increase income and savings, improve health/nutrition, empower women and improve household food security and children's nutritional status. Importantly, the data indicated that the nutritional status (weight for age and height for age) of participating children was significantly improved.

- From 1995 to 1997, with UC Davis undertook a similar study in Bolivia. While the analysis is incomplete, this study indicated mixed results. On the positive side, the analysis showed a significant improvement in women's knowledge of health and nutrition practices, in household profit from non-farm enterprise and in behavior that would indicate enhanced self-esteem. However, the study did not demonstrate a significant improvement in food security or nutritional status.<sup>6</sup>

### **3.3 PVC Objectives -- Increased Capability of FFH to Achieve Sustainable Service Delivery**

The Office of Private and Voluntary Cooperation is understandably interested in knowing whether the Matching Grants which it executes contribute to achievement of its own strategic goals. Specifically, whether the grant to FFH has enhanced operational and technical capacity, helped the organization mobilize resources and achieve greater financial independence and strengthened relations with indigenous NGOs. These concerns are addressed from a variety of different perspectives throughout the body of this Report and in a broad sense "sustainable resource delivery" is the integrating topic of the entire evaluation.

FFH is an organization that has a strong commitment to organizational learning and to the conduct of field studies and evaluations designed to feed back into program design and improve the effectiveness of the CWE model. Importantly, the emphasis on learning and validation of results has implications that go beyond the FFH/CWE model and that potentially influence micro-finance and village lending practices of other organizations. In general, the indicators of progress, results and impact that FFH employ fall into two broad categories. The first are programmatic and attempt to gauge progress in such areas as increased food security, better child and maternal health practices and the ultimate impact of the CWE program on health and nutrition. These measures focus on change in the knowledge base, a change in behavior as a consequence of new knowledge or change in ultimate health status as a result of the change in behavior. Collection of information and conduct of analysis in this category is reliant on baseline data, often requires the establishment of a control group, tends to be expensive and often necessitates a sophisticated understanding of health and nutrition data analysis techniques. To date, FFH has conducted two studies (Bolivia and Ghana) that look at program impact and

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<sup>6</sup> The staff of FFH believes that the mixed results in Bolivia reflect implementation problems, specifically high turnover of trainers and the need for better training of trainers.

have also published a series of technical papers that address issues of impact. These studies provide strong though not conclusive evidence that the CWE model has a highly beneficial impact on food security and maternal and child health. What has not yet been launched is an analysis that would measure the cost/benefit impact of the education component of the CWE model. This would be an important contribution because it would directly address the skeptical concern that health education is inappropriate component of a financial relationship.

The second set of indicators is institutional and concentrates on the village-banking component of the CWE model. This type of indicator focuses primarily on measuring organizational efficiency (e.g. unit cost of administering a loan) and organizational sustainability (whether revenue is covering cost). In this respect, FFH employs a quarterly Credit with Education Status Report that provides useful data on the rate of program growth, number of participants, the cumulative size of the program and the loan delinquency rate. This Report also provides very basic and limited information on the financial sustainability of credit associations - - operating cost ratio (operating costs over outstanding loan portfolio) and self-sufficiency ratio (income over costs plus loan-loss reserve). Because this data has been collected since 1993, it provides an excellent picture of the growth and changing composition of the program.

Inevitably, data collected from a variety of sources and for purposes that may not be clear or compelling to the provider will be imperfect in content and timeliness. However, for purposes of relative and/or longitudinal comparison, the Status Report data meets the established standards of a useful indicator (i.e., it is cost effective, comparatively valid, reasonably reliable and broadly relevant to program objectives).

### **3.4 FFH Indicators of Progress in Relationship to PVC Indicators**

In general, the measurement instruments that are used by FFH to monitor program impact, assess the effectiveness of the CWE delivery mechanism and to gauge the growth in institutional capacity of the organization are consistent with and in some cases identical to the indicators that PVC has adopted to measure its own progress. Thus, at the Strategic Objective level:

**PVC** Change in the number of members of formal networks/associations

**FFH** Not monitored in a formal sense, although FFH is an active participant in the SEEP network and other established PVO groupings and associations. Associational activity is important for FFH because it tends to strengthen organizational capacity through increased awareness and supportive linkages, networks are also of substantive importance since a FFH objective is to not only test and validate the CWE model but to facilitate its broad scale application.

**PVC** Change in key micro-enterprise measures of performance (number and amount of loans disbursed, number of women borrowers)

**FFH** Freedom from Hunger routinely collects this information in the format used

by PVC As noted, program growth has exceeded expectations

**PVC** Percent of micro-enterprise programs that are operationally sustainable

**FFH** Monitors the Operating Cost Ratio (costs per average outstanding loan amount) and Operating Self Sufficiency (ratio of income to costs) Although the time frame is short and consolidated data of this sort can be misleading, the trend appears positive with self sufficiency for all CWE programs moving from 62% in June, 1997 to nearly 90% in September of 1998 while the operating cost ratio has dropped slightly from 40% to 33%

#### With respect to Intermediate Results

**PVC/IR#1** Percent of PVOs that develop quality program plans

**FFH** In general, this evaluation concludes that FFH's approach to program planning is professional, and conscientious FFH has a focused and coherent approach, a set of tangible impact objectives as well as a set of less concrete but important policy concerns that address the direction in which the micro-finance movement is heading With respect to PVC's specific criteria, FFH program planning is very much results oriented (in that they have long run quantitative targets), they use quantitative indicators to monitor progress, place considerable emphasis on sustainability and local partnering and are viewed as technically competent by their professional peers

**PVC/IR#1 2** Percent of PVOs that adopt a systematic approach to program monitoring and impact evaluation

**FFH** Freedom from Hunger takes monitoring and evaluation seriously They are committed to the CWE model and understand that credible evaluations are important to acceptance of that approach by the micro-finance community FFH has established both a financial and non-financial monitoring system The former provides accounting information on the status of each credit portfolio, the latter tracks organizational characteristics that are deemed important to growth, sustainability, efficiency and effectiveness In addition, FFH conducts four types of evaluations baseline assessment, impact evaluations, program evaluations (or broad institutional assessments) and a series of mini-studies

**PVC/IR#3** Clear transfer of resources to local level partners

**FFH** This indicator is designed to focus on the strength and effectiveness of partnerships and the extent to which the American PVO takes empowerment seriously In FFH's case, it is not intended that Matching Grant funds be transferred for re-lending purposes so in a narrow sense the indicator is inapplicable In a broader sense, the issue of authority transfer is a very real one for FFH In some instance, FFH has quite deliberately transferred very real authority and has created independent organizations that are free to function on their own At the same time, in several cases, FFH has had difficulty in balancing between its fiduciary responsibilities and learning objectives on the one hand and

the imperative of empowerment on the other. And indeed, given the inherent test-case nature of the CWE approach and the damaging consequence of organizational failure and financial loss, it is understandable that FFH would find it difficult to simultaneously design, test and launch a technically challenging program on the one hand and transfer effective authority and responsibility to manage it on the other.

**PVC IR#3** Establishment of formal partnerships with local partners

**FFH** All of FFH's relationships are "formal" in the sense that they necessitate and rest on an agreement with a local organization. In only one case does FFH operate a wholly owned subsidiary, CRECER in Bolivia, which is destined to become independent by the end of the year 2000.

**PVC IR#4** Diversification of the funding base

**FFH** Freedom from Hunger's central strategy is to increase financial independence through increase reliance on self-generated revenue. Their focus and seriousness of intent is real and impressive. The pros and cons of the strategy are discussed in the following part.

#### 4 FINANCIAL SUSTAINABILITY

The extent to which the CWE model proves to be sustainable is a critically important attribute of FFH's own conception of its long-term success as an organization. Central to FFH's core mission is the goal of having a broad impact on a large population of program participants. But to have this broad impact, limited equity funds must be used as efficiently as possible. The mathematical imperatives of micro-lending require that if a program is to grow, the real value of equity funds must be preserved and if possible enhanced. Uncovered subsidies, loan defaults or delinquencies, and excessive administrative costs constitute leakage and dilution of capital. As FFH notes in its 5 year plan

“By becoming financially self sufficient, the Local Operations Unit relieves the “incubator” of the responsibility for endless funding of recurrent costs (the *Achilles' Heel* of human service programs). This self financing feature allows the “incubator” organization (and its funding partners) to start up many LOUs around the country without accumulating a massive fiscal burden.”

And the FFH Matching Grant applications states

We project that within five to seven years of starting Credit with Education, each management unit could cover the direct costs of delivering program input to credit associations (costs of loan capital and field staff operations) with the interest and fee revenue charged on loans. This self-financing potential opens the door to nationwide expansion to bring both financial and health/nutrition benefits to very large numbers of people in need.

Finally, the log frame for the application promised that partner organizations would be able to

“ Deliver credit with education at a cost per loan that is equal to or only slightly greater than the interest and fees that can be charged on each loan.”

In general, FFH uses financial measures to monitor the organizational health of those in-country entities with which it is working. FFH also looks at the programmatic sustainability of CWE in the broad sense of demand, utilization and satisfaction - - quality of training, the incremental cost of health education, relevance of the health component - - but this is done on a periodic, case by case basis. FFH's definition of whether an organization is sustainable depends on whether the organization can generate adequate income to cover current operating costs including

**Cost of funds** - - the interest and fees that the organization is paying (or would have to pay in the case of a subsidized loan) in order to borrow money for re-lending purposes to credit associations

**Loan loss reserve** - - an amount to be set aside each year as a reserve against loan default

**Operating costs** - - the expected administrative costs of running the CWE program

It is important to note that this formula does not include the cost of technical assistance provided by FFH or some imputed share of FFH's prior cost of designing and developing the CWE program. More importantly, because the measure is financial, it cannot take into account the intangible factors that are related to organizational success such as effective leadership, the existence of a good management information system, the quality and morale of staff and the extent to which the CWE approach is fundamentally compatible with the values of the organization. Nevertheless, the sustainability formula used by FFH is a reasonably sound measure of the financial health of the organization.

#### **4.1 Performance to Date**

There are three related questions. The first is whether or not FFH employs practices and policies that are likely to lead to financial sustainability in the long run - - interest rates that cover costs, good management practices, a sound information system, etc. The second is whether FFH has a way of monitoring sustainability and if so what does this indicator suggest. The third is whether or not the programs supported by FFH are in fact currently financially sustainable or likely to be so.

##### **4.1.1 Practices and Policies**

It is generally agreed that there are three controllable variables that are critical to achieving financial sustainability: the interest rate charge, the adoption of professional management practices that keep administrative costs down and limit the rate of default and delinquency and the scale of operations - - large village banking operations can spread costs and are more likely to be sustainable.

With regard to *interest rates*, the standard FFH procedure is based on a formula that derives the interest rate charge from a calculation of the amount that will be necessary to cover the costs of operation. Thus, the interest rate charge is built up from a set of loan volume and cost projections and derives from those estimates. This uncomplicated and understandable approach provides reasonable assurance that the enterprise will be financially sustainable provided the loan volume projections and cost estimates are reasonably accurate. It has the added advantage of making very clear at the outset that the basic structure of the enterprise is designed to be sustainable and is in contrast to a market-based approach that sets interest rates on the basis of prevailing market rates.

With regard to the promotion and adoption of *sound management practices*, this is more difficult to measure. The mid-term evaluation generally gave FFH good marks for technical assistance and the value of the financial reporting system but raised questions

with respect to the adequacy of staff coverage (not quality) and the utility of the long range program planning process. The field visit to Bolivia for this evaluation underscored the importance of tight and careful management, a reliable management information system, a fail safe system for funds monitoring and control and the critical importance of frequent field visits. The problem of course is that a thorough administrative structure is expensive, particularly where the goal is to reach women in remote locations.

With respect to *scale* of operations, FFH is well aware of the importance of growth and is pursuing this objective in all countries where it is operating.

#### **4.1.2 Measurement**

FFH uses an "operating self-sufficiency" ratio to measure progress toward sustainability. This formula measures the relationship between financial income and operating income on the one hand and financial costs, operating costs and a reserve for loan loss on the other. The operating self-sufficiency ratio is prepared at the "management unit" level (i.e., for those credit unions or community banks working at the district or regional level that support and finance the credit associations that are established at the village level). The operating self-sufficiency ratio provides a reasonably sound measure of *financial* sustainability. Its deficiency is that it excludes the cost of the technical assistance provided by FFH and uses the subsidized value of equity funds in determining financial costs. The ratio does not necessarily measure the financial sustainability of the FFH partner (unless the partner and the management unit are co-terminus) nor is it intended to measure the intangible factors that determine whether organizations survive and grow such as leadership, commitment and sound strategic sense.

#### **4.1.3 Accomplishment**

The data on financial sustainability is positive and broadly consistent with the goals set forth in the Matching Grant application.

In the ten West African programs started since 1992 (in Burkina Faso, Ghana, Mali and Togo) FFH had achieved an "operating self-sufficiency" ratio of 88% with a low of 39% and a high of 120%.

The Bolivia program, which was started in 1990, has a current self-sufficiency ratio of 85%.

The Uganda program, which was started in 1996, has a current self-sufficiency ratio of 57%.

On the basis of this data and from a review of country reports and studies it is clear that FFH has made good progress in scaling up the CWE program to a point where it appears to be *near* financial sustainability within the time frame envisioned - as promised in the grant application.

## 4 2 Sustainability Issues

The micro-finance movement is popular and flourishing in large part because it rests on the hypothesis that micro-credit organizations can - - if they pursue a series of “best practices” - - generate sufficient income from their lending operations to cover costs and thereby reach an equilibrium point of financial and organizational sustainability. Thus, it is argued, micro-credit can have a positive impact on alleviating poverty through enterprise creation and at the same time be sustainable. This is comforting to donors because it implies a continuing beneficial impact with little or no ongoing costs.

A recent study of NGOs in micro-finance for the World Bank takes a skeptical and provocative point of view and raises some important cautionary flags. It is noted here not to invalidate the positive results that FFH has achieved but to place them in critical context and to underscore the significant challenges that FFH will need to address.

The World Bank Study notes that “With a few notable exceptions, the record of NGO MFI’s (micro-finance institutions) on [social service] outreach and sustainability should give us pause – hardly any NGOs have reached full financial sustainability *and few still manage to do one without sacrificing the other*” (Emphasis added).<sup>7</sup> The Paper goes on to argue the following points:

- There is a fundamental conflict between the social goal of alleviating poverty through the provision of “income-smoothing” credits that address periodic food deprivation and the economic goal of capital formation and enterprise development.
- The pressure (particularly from donors) to pursue the goal of sustainability has tended to push micro-finance NGOs toward practices which move them away from poverty lending including a shift toward high density urban areas, and a tendency to move up the poverty scale away from the very poorest in order to keep default rates down.
- Many micro-finance NGOs face serious organizational problems that may be a consequence of the twin pressures to be both sustainable and to have an impact on the poor. These include a high drop out rate, rising costs, staff turnover and a poor management information system.
- “NGOs in micro-finance need to decide what is most important, being sustainable lenders or reaching the poorest with financial services. There is little evidence of being able to do both at the same time.”

All of these concerns are directly relevant to the FFH program. A preoccupation with sustainability *for its own sake* without reference to such factors as poverty alleviation,

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<sup>7</sup> Thomas W. Dichter, NGOs in Micro-finance, Past, Present and Future. World Bank, Sustainable Banking for the Poor Project. Unpublished manuscript.

capital formation and social and gender impact can easily miss the forest for the trees. This is relevant to FFH because the CWE program does have an important social impact goal.<sup>8</sup> The FFH literature - studies, reports, technical papers, policy papers, grant proposals - all give heavy emphasis to the sustainability of CWE and the organizations that deliver it.<sup>9</sup> But a careful reading of these documents also suggests how challenging it is for FFH to find the right balance on the fulcrum point between a hard-headed, fully-loaded, business approach to organizational sustainability on the one hand and a modestly subsidized approach to hunger and poverty alleviation on the other.

The dichotomy is well illustrated in a paper recently prepared by the President of FFH that distinguishes between the "institutional" (or business) approach to micro-finance and the "welfare" (or social service) approach.<sup>10</sup> FFH is quite correct in pointing out there are valuable social impact benefits that justify some element of subsidy and that it is quite appropriate for governments and donors to pay some of the costs of redressing social ills. But at the same time, FFH itself is often forced into a position of making ambitious claims about the sustainability of its programs.

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<sup>8</sup> The concept of "sustainability" has become complicated because of the difficulty of separating means from ends. When FFH - and micro-finance NGOs in general - talk about sustainability they usually refer to the capacity of an organization to continue functioning and in particular they place emphasis on financial health and the ability to generate monetary resources of sufficient size to maintain operations. However, organizational sustainability solely for its own sake is not particularly important and may not be especially desirable since organizations come and go and there is nothing inherently unhealthy about the cyclical process of growth, maturity and decline. A more important objective is the *sustainability of the program* or the service that is being offered and most NGOs - and certainly FFH - would recognize this albeit relying on organizational longevity as a proxy indicator of the continued viability of the program. This distinction between organizational and programmatic sustainability is important in this instance for two reasons. First, FFH has clearly faced challenges in structuring long term organizational relationships. Despite the best of intent, these so called "partner" relations have proved difficult for a variety of reasons that are discussed below. If one looked at the sustainability of the CWE program solely from an organizational perspective, serious concerns about the long term viability of the approach would emerge. The second reason that the distinction is important is that a focus on organizational sustainability and in particular a heavy emphasis on financial success may tend to divert attention away from social goals and especially from poverty related objectives. This is of central concern in FFH's case because the primary goal of the organization is food security and poverty reduction with micro-credit being an instrument to achieve that goal.

<sup>9</sup> See, for example, Technical Update No. 6, Rationale and Procedure for Determining Credit Association Interest Rates and Technical update No. 8, Program Loan Terms as well as the extensive collection of manuals and formatted material designed to help new credit enterprises.

<sup>10</sup> The welfarists are interested in using credit to directly deal with poverty and do not place much emphasis on sustainability while the institutionalists are interested in creating sustainable financial organizations and new business and view social service impact as a residual by-product. The paper suggests that FFH is a "social enterprise" organization that occupies an appropriate middle ground with dual goals of social service and sustainability. This middle ground allows some compromise between the extremes of each position. Thus, the social enterprise organization is very much interested in poverty alleviation but maintains high requirements and standards when it comes to organizational efficiency, financial independence and the desirability of covering direct expenses and some portion of attributed costs. But the social enterprise organization does accept the legitimacy of some subsidy in the form of philanthropy and charity at least as an initial investment to start the program.

## 5 PARTNERSHIPS

Broadly, there are 4 ways that a PVO can deliver a program like CWE operate independently and on its own, establish an entirely new indigenous organization, work on a partnership or "joint venture" basis with existing organizations or provide advice, mentoring and technical assistance in order to stimulate the work of others. And of course there are many variants of each of these alternative approaches.

In general, FFH has chosen the third path of establishing partnership relations although they are increasingly moving toward a more indirect, facilitative approach whereby FFH would respond to requests for mentoring and technical assistance rather than initiate or directly operate a program in collaboration with another organization. What is clear for the present is that effective implementation of the CWE approach has been heavily dependent on the existence of a strong, dynamically interactive relationship with an intermediary organization that has access to loan capital, outreach into poor areas of the country, a reasonably well developed administrative structure, a system of financial controls and a general orientation to the themes that energize the FFH/CWE program - a concern for poverty, hunger alleviation and self help. Whether it will be necessary to continue to work through some type of a formalized partnership structure in the future will depend on the success of the Practitioner Service's initiative.

While FFH has been successful in "growing" the CWE approach, the challenges that they have faced have frequently involved "partnering" dilemmas. And in fact the single most significant constraint to rapid program expansion appears to have been the difficulty of finding and smoothly working with an intermediary that can take the CWE approach and run with it.

While each case is particular and it is difficult and dangerous to draw generic findings, it is reasonable to conclude that there are inherent characteristics of the CWE model that make organizational collaboration especially challenging. They include

**The tension between an established model on the one hand and organizational independence on the other.** FFH has spent a great deal of time and effort developing, testing, refining and modifying the CWE model. They are quite appropriately proud of the product and convinced of its inherent strength and capacity to have a positive impact on the lives of participants. However, it may at times be difficult for FFH to step back and engage in the type of "empowering relationship" that tolerates missteps, trial and error and less than optimal performance. This is an observation that is difficult to document since it essentially involves an interpretation of style and attitude. However, it does square with comments made by several outside observers during the course of the evaluation and is consistent with the difficulties that FFH has experienced from time to time in its relations with local groups.<sup>11</sup> To an important degree, FFH itself

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<sup>11</sup> See notes from interviews with Philip Boyle, independent consultant and Elizabeth Hunt, USAID

appears to have recognized the problem through its decisions to move toward a more indirect facilitative role with the establishment of Practitioner Services. Not only is this a way to more quickly spread the CWE model, it is also an approach that side-steps the partnership dilemmas that accompany a more directive and operational role.

**The difficult task of organizational development** As is often the case, a principal strength is also a source of relative weakness. Over time, FFH has demonstrated a strong capacity to design, develop, test and apply an integrated program combining credit with education. The constituent elements of the model are combined in a coherent conceptual package and the whole has been subject to a fairly rigorous assessment. FFH has thought through the model, thought through its application and thought through the impediments that confront it. What FFH is not particularly strong at is the messier, inefficient and more unpredictable work of organizational development that is critical to getting another NGO to do what FFH wants it to do.

**Complexity of the model** A related problem is that the CWE model calls for diverse elements that are difficult to find or develop in any single partner organization. Thus, CWE needs to partner with an implementing organization with strong financial systems, a disciplined commitment to sustainability and the bottom line combined with a strong adherence to poverty reduction and improved health services. The President describes the ideal local implementer as a community based financial organization led by a development "spark plug". These are not attributes that are normally found bundled in the same group and when they are combined, may lead to tensions or "schisms" that mirror the schism in the micro-finance movement between the "right wing" banking approach on the one hand and the welfare contingent on the other (author's terminology).

**Inherent difficulty of managing a micro-finance program** As would be true with any activity that involves the handling of cash, micro-finance activities tend to invite theft and embezzlement. This necessitates very tight and inflexible accountability systems together with an organizational culture that is intolerant of financial malfeasance - - an operating style that is anathema in some developing countries. This can lead to internal tensions particularly when the expatriate PVO/NGO is associated with the wealthy donor community while local staff identify with the poor who are being served. Thus, one of the difficulties of the CWE model is that it can bring together under one roof two quite different and potentially conflictive sets of organizational values.

A balanced assessment concludes that FFH has made a very serious and honest effort to build strong partnerships with mixed success due in good part to the inherent characteristics of the model. The record suggests that the decision to gradually move away from a direct operational role toward an approach that serves as a catalyst for innovation and change in other development practitioner institutions is a wise one.

With respect to the operational modalities of partnership relations to the extent that they continue to exist and based on studies, reports and a review of the reporting and monitoring system, it was clear that FFH has made a strong effort to clarify roles and responsibilities and to structure relationships in a transparent and open manner

## 6 THE CREDIT WITH EDUCATION MODEL

This part of the Report examines the Credit with Education *model* (or methodology) and addresses the following questions

Does the FFH approach constitute a distinctive *model* and what are its principal attributes?

Is the FFH/CWE “model” *conceptually sound* and does it constitute a well integrated design?

What logical evidence is there that the FFH/CWE approach appears to deliver the *benefits and results* that it claims for itself?<sup>12</sup>

What are the *principal issues* or concerns raised by the FFH/CWE approach?

### 6.1 The CWE Model and its Attributes

FFH is unique in its sustained, focused and systematic concentration on a distinctive approach to poverty alleviation. Interestingly, this self discipline and capacity to stay on track may be a residual benefit of the difficult 1985-88 transition. This experience

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<sup>12</sup> By and large, the studies and research that have been commissioned by FFH and the evaluations that have been conducted by others tend to confirm the beneficial arguments put forward by FFH on behalf of the CWE model. Partnership Grant Evaluation, January 1992. Preliminary evidence suggested that the CWE approach is effective in alleviating hunger. Mali, external evaluation, 1995. The program helped participants increase incomes by expanding activities, selling in new markets and increasing sales volume. There was a marked increase in self confidence and demonstrated improvement in knowledge of basic health and nutrition practices. Partnership problems slowed program expansion and thereby slowed the likelihood of near term sustainability. Burkina Faso, Impact Study, July, 1996. The scale of women's income generating activity increased for all participants. Profit margins improved and the scale of investments in capital goods increased. Generally, increased profits were used to augment family health and nutrition through more and better food purchases. Participants demonstrated improved awareness of proper health and nutrition practices. Mali, Impact Assessment, September 1998. Participants were significantly more likely to have expanded their business, added new products and reduced costs. Those in the program for more than two years showed marked improvement in entrepreneurial skill. Participants were less likely to have experienced a period of acute food insecurity and reported increased personal savings and income and diversified enterprise strategies. Increased financial security and improved knowledge of health practices was linked to improved self esteem and confidence. Issues included use of credit funds for non-productive consumption and a systemic difficulty reaching poor outlying villages. Ghana Impact Assessment, March 1998. Participants noted a marked increase in income due to business expansion and reduced costs. There was evidence of improved business and entrepreneurial skills. There was a significant change in adopting most of the health and nutrition practices promoted by CWE. Participant households reported a reduced vulnerability to the “hungry season” compared to a previous baseline study. Nutritional status of children using anthropometric measure was significantly improved. Participants noted a marked increase in their confidence to make wise health and nutrition choices for their family and in their ability to actively participate in community affairs.

established a conviction that while a diverse assortment of hunger related activities might have individual worth, they were not having wide impact and were not financially self supporting<sup>13</sup>

The FFH model is comprised of a blend of micro-credit and health and nutrition education. It integrates health, nutrition and family planning services into a structure of credit and savings networks for very poor rural women. In addition, FFH has elaborated these core components with a standard set of formatted procedures and practices including a standardized approach to interest rate determination, guidelines on management and lending practices, the design of a learning game to teach credit association administration and a four-step approach to learning sessions - - ORPA, or “observe, reflect, personalize and act”. Together, these elements constitute a distinctive methodology or model that FFH can quite appropriately claim to be its own<sup>14</sup>

A serious assessment of the CWE model surfaces 8 important issues

### **6 1 1 Double Duty Impact**

The principal case for CWE is that the model does double duty by supporting the development of small scale household enterprise and by also providing tangible improvements in family health and nutrition status - - it generates income and it changes behavior so that health and nutrition decisions will be wiser and the destructive impact of poverty and food scarcity will be less

As noted earlier in this report, studies do support the claim that when credit and education are combined, participants will have higher incomes and observe better health practices. The more important question is what would have happened if the two elements had not been combined - - to what extent would the provision of credit had a greater impact than in fact occurred and would this greater impact have been equal to the educational benefit? This is a relevant question and FFH has plans to initiate an evaluation that will address it. In the interim it would seem difficult to ignore the availability of a delivery instrument if there is at least a modest interest in improving health conditions, provided the credit program was administered in a professional manner that utilized the considerable experience that has been acquired in that field

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<sup>13</sup> A very significant benefit of both the current and preceding grants from USAID/PVC is that they have been of immense value to FFH in helping the organization work through a process of organizational change and design, develop and test a revised approach to hunger alleviation. As discussed below, the FFH/CWE model is a product of a long process of searching, adapting and careful chiseling. The financial support in the USAID grant was absolutely central to that process.

<sup>14</sup> Webster defines a “model” as a set of plans, a structural design, a pattern or a system of postulates, data and inferences presented as a description of an entity or state of affairs. Although the simple linking of micro-credit with health education might not by itself constitute a distinctive design or pattern, FFH’s persistent sculpting and modification of the approach would seem to fully satisfy this definition.

## 6 1 2 Consumption Vs Enterprise Formation

An implicit benefit of the CWE model - - or any micro-credit program, for that matter, is that the provision of credit encourages enterprise (or capital) formation. In this respect, the mid-term evaluation makes a rather interesting observation that did not receive the attention it deserved.

The ultimate end of generating income coupled with health/nutrition education is to guide women's income into raising the health and general welfare of the family, particularly small children. *This consumption objective, however, runs counter to the need for women to grow their enterprises, particularly the need to reinvest to achieve higher levels of production or operations*<sup>15</sup>

If this theoretical concern proves factual, it raises a very important question about the wisdom of combining the two components. In fact, it suggests that if we really want capital formation and enterprise development we should be discouraging participants from allocating any borrowed funds or enterprise profits to household and family needs - - regardless of how impractical and uncaring such a position would be. Interestingly, FFH does not perceive this as a significant issue since enterprise development is not as important an objective as increased food security. This is a curious position since it begins to invalidate one of the key goals of micro-lending.<sup>16</sup>

## 6 1 3 The Claim for Synergy

Proponents of CWE argue that the approach takes advantage of a strong synergy between the credit component on the one hand and the education component on the other. Thus, the availability of credit attracts participation and provides an audience for the education that will take place. The business education helps the women make better enterprise choices while the health and nutrition education helps the women make more informed decisions about her family. The combination of education coupled with financial resource is empowering and both encourages and facilitates behavioral change. The improved health of the family frees financial and labor resources that can now be directed to income generation while the credit provides funds that can be used to smooth income, deal with food crises and be invested to generate more income.

While intuitively attractive, it is very difficult to measure the validity of this claim. During this evaluation a field trip was made to Bolivia and seven visits were made to functioning credit associations in very remote sections of the country. On the basis of a small sample size, the case for synergy was supported.

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<sup>15</sup> Philip Boyle, "Midterm Evaluation of Freedom from Hunger", September 1996, page 17

<sup>16</sup> In Bolivia, the evaluator asked several women credit association members what they used borrowed funds for and in all instances was told the purpose was related to commercial activity. While unreliable - - the women had just been admonished to use their loans for their business - - the outcome tends to support the argument that capital formation does take place.

- While women members were initially motivated by the opportunity to have access to credit, their continued and often long association in the credit association at rates of interest that were noticeably higher than offered by the competition indicated a strong interest in the educational component
- In those cases where the facilitator was expert in his/her task, there was a seamless integration of the education and credit components during the course of the credit association meeting. In no instance did the evaluator note a flagging of interest or any indication that the education session was viewed as inappropriate
- In several instances, credit associations had been in existence from 3 to sometimes 5 years and a large proportion of the women had stayed with their group for the duration. While this is not conclusive proof that the educational component is desirable, it does support the overall power of the model as applied in Bolivia

#### **6.1.4 The Claim of Low Incremental Cost**

It is argued that the CWE approach can be offered at little incremental cost to do double duty and have a direct impact on hunger and poverty while still supporting enterprise development.

FFH studies have produced good evidence that the incremental cost of the education component is modest (3%-5%). While this seems low and acceptable - - provided there is some educational benefit - - the larger issue is whether the inclusion of the education package makes the overall effort too difficult to manage. It is hard enough to administer a rural credit program and virtually impossible when you add education and decide to also concentrate on the very poor - - or so the skeptics argue. On the basis of limited direct observation in Bolivia, it would appear that this concern is legitimate although not necessarily fatal. The single most important component of a well functioning CWE program is the experience and ability of the field coordinator (or "promoter" in the Bolivian case) and the capacity of that individual to bring a mix of motivational, technical, business and disciplinarian skills to the credit association. Finding individuals with this mix of experience and skills and a willingness to work in remote areas is extremely difficult. In Bolivia, there were clear examples of credit associations that were working well and examples of those that were not and in both cases the skills of the "promoter" were the primary determining factor.

#### **6.1.5 Likelihood of Sustainability**

An attractive attribute of CWE is that because micro-finance operations are sustainable, health education can continue to be brought to the community for free.

As noted, there are serious concerns about the financial sustainability of micro-lending.

particularly with respect to those programs that have a social service objective and that attempt to reach the rural poor. The skeptics argue that high re-payment rates are illusory since there is a considerable amount of borrowing between participants in order to repay loans and that while some well run micro-finance structures can be sustainable, this can occur only where the size is very large and the participants are in higher income brackets. To its credit, FFH has in general not promised full sustainability and has broached the larger issue of an exclusive focus on financial sustainability in dialogue with members of the micro-finance community. However, at times the rhetoric becomes exaggerated and the caveats are not adequately noted. FFH can serve a very valuable role in bringing caution to micro-lending and by shifting the focus of attention to the needs of the poor. But much more analytical work needs to be done in order to advance this line of inquiry.

#### **6.1.6 Lack of In-country Institutional Capacity**

It is hard to find local NGOs with the ability to manage the CWE program and FFH itself has had difficulty forging long term partnership relations. There are a variety of causes but certainly one of them is the problem of balancing between the dual purposes of the program. A second is that financial credit programs are difficult to jointly manage because the premium on clear structures of responsibility and unambiguous controls run counter to the principle of delegation and empowerment. As a partial consequence, FFH has decided to gradually move away from direct implementation and to play a facilitative and catalytic role. Regardless of whether FFH is directly operational or facilitative, there remains an important question as to whether and to what extent there are NGOs with the administrative capacity to manage a complex credit program and the sophistication to balance this with a health and nutrition education component. While credit unions provide a potential solution, it is not yet clear that these organizations will enthusiastically buy into the CWE approach.

#### **6.1.7 Inherent Antagonism Toward Mixing Micro-credit With Education**

While it may seem unfair, a deficiency of the CWE model may be the inherent distaste that donors and members of the micro-enterprise community have for attempts to complicate the village banking model with addition of an educational component. Periodically, during this evaluation, an opinion was expressed that you can't add an educational component because it is too difficult to manage and you "need to keep things simple." More deeply, there is the feeling that the village banking "best practices" model has a purity and integrity of approach that needs to be protected if it is to be successful.

#### **6.1.8 The Content and Delivery of the Educational Program**

FFH has devoted considerable effort to systematic design of the educational component of the CWE program. In the course of the evaluation, the evaluator observed 7 education sessions that were conducted in remote towns in the Bolivian Alto Plano. This is a very small sample and the evaluator is not a health specialist or professional trainer. Nevertheless, the following observations may be helpful in understanding both the

strengths and weaknesses of the CWE model

**Pivotal Role of “Promoter”** The quality and effectiveness of the educational sessions were highly dependent on the technical and interpersonal skills of the trainer, or “promoter” Thus, the capacity to locate, train and keep high quality training staff that are able to play the multiple and sometimes conflicting roles of facilitator, health trainer, bank inspector and systems monitor is absolutely critical Despite reasonably generous compensation packages, at least in Bolivia, the location and retention of high quality staff has been challenging

**Logistical Difficulties** While perhaps self evident, the Bolivian case study underscored the great difficulty and added cost of operating in remote rural locations Traveling on rutted dirt roads, over long distances in very difficult weather on a motorcycle to be precisely on time to facilitate a 90 minute session that ranges in content from a review of delinquent loans to a discussion of breast feeding is no easy task Lateness, inattention to record keeping detail, failure to fully cover the topic were the occasional result despite the overall excellence of program management Proponents of helping the very poor may respond that this is a gratuitous observation An impressive strength of the FFH approach in comparison to many village banking models is that they do reach out to remote areas and serve populations that would not normally have access to credit However, logistical realities underscore the importance of taking hard-headed look at the incremental cost of serving some populations

**Content and Sequencing of Educational Message** An overall impression was that women participants were generally interested and engaged in the subject matter with variation dependent on the competence of the “promoter” At the same time and based on this admittedly very small sample, several questions emerged for consideration by FFH staff

*Are training sessions too short and truncated and too simplistic in content?* In several instances, the evaluator had the impression that more could have been covered and accomplished

*Could more effective training materials be developed?* Promoters did have simple training aids but more extensive material is needed and would be helpful if participants could have hand-out material for take home use

*Should the content of educational modules be adjusted over time?* A very impressive characteristic of the visited credit associations is that several had been in existence for from 3 to as many as 5 years and that in some cases individuals had remained members for the duration This suggests a significant opportunity to adjust the training component over time, building on previous sessions

*To what extent can credit associations gradually identify their own training needs?* Because some groups stay in existence for a long time and exhaust the core curriculum, it may be possible for women's groups to gradually begin to identify their own needs

## 7 ORGANIZATIONAL STRATEGY

There are several ways to assess strategic focus. One is to examine the mission statement of the organization and related statements of goals and objectives to see whether they are clear and succinct and consistent with what the organization is actually doing. A second is to ask whether the values, beliefs and policies of the organization are in reasonable alignment - - are the employees of the organization likely to agree on an approach or a solution or is there wide divergence of philosophy. A third is to examine the program and its components to see whether they are integrated and logically compatible and work together in a synergistic manner so that the whole is greater than the sum of the parts. A final set of questions might explore whether the strategic focus is in fact the right one - - the mission is succinct, the program is integrated and the values are aligned but the organization is heading in the wrong direction.

### 7.1 Mission

While the phrasing of FFH's mission statement has changed over time, the core emphasis on better nutrition and health, self-help to eliminate chronic hunger and a focus on the poorest segments of a society has remained. More recent versions of the mission statement have placed appropriate emphasis on sustainability, empowerment and the centrality of local partnership relations. But these are themes that support the principal focus, which is to address the needs of the hungry poor. This is important to emphasize because in some of the current literature there is so much emphasis on credit and micro-lending that a reader could develop the impression that FFH is principally a micro-finance organization. As the staff and leadership of FFH are quick to point out, micro-lending is the "locomotive" that allows FFH to do what they really want to do which is to work on food and nutrition security for the poor.

The FFH mission statement is broadly consistent with the central themes of the CWE program. CWE does attempt to concentrate on the poorest segments, directly addresses poverty and hunger both through education and with credit resource, and contains a strong implicit self-help emphasis that derives from the discipline of borrowing and repayment. Nevertheless, there is a palpable tension between the health/education/poverty thrust of the mission statement on the one hand and the credit/finance/best practices emphasis of CWE on the other. This is recognized indirectly in a paper by the President entitled "Micro-finance: A Means to What End?" that skillfully outlines the difference between the "institutionalists" of micro-credit on the one hand and the "welfarists" on the other. While FFH would hope that it occupies a tactically advantageous middle ground, it is likely that the organization will find itself constantly balancing between the two cultures and approaches. This is not necessarily either a disadvantage or impediment. Importantly, one of FFH's emergent functions is to help define this middle ground of "social enterprise" as the President calls it and in that process to act as the conscience and intellectual provocateur for both extremes along the micro-finance continuum.

## **7 2 Values and Beliefs**

While it is difficult to measure values and beliefs in a scientific manner, discontinuities and conflict are normally quickly evident. The difference between espoused beliefs on the one hand and actual values on the other generates tensions, which usually surface pretty quickly.

It was clear to this evaluator that FFH is an organization with an integrated and well aligned set of fundamental principles that are broadly shared by the staff and leadership and that give FFH a distinctive identity that helps offset some of its unavoidable institutional weaknesses such as its small size and remote location. The Mission of FFH and the program is well understood by FFH staff and there is broad consensus in support of the fundamental validity of the credit with education approach. On the basis of discussions with roughly half of the staff of the International Center, it seemed to the evaluator that underlying values and beliefs were compatible. There was no overt evidence from these discussions of strong deviant views with respect to the rationale for what FFH was doing and how they were doing it. In fact there was a refreshing absence of reference to “mission” related issues or matters of philosophy but rather a practical preoccupation with working the bugs out of the credit with education approach.

As noted in the brief historical overview, FFH has moved constructively through some very difficult programmatic and leadership changes. They have successfully gone through a difficult process of self assessment, redesign and renewal and come out of that painful period with a clear sense of purpose and design. A partial legacy of that chaotic period is that the organization is strongly mission driven and unusually focused on a well defined purpose and related program structure.

All of this is not to conclude that there are no problems on the horizon. As discussed below, FFH is engaged in a fundamental transformation moving from an operational program to a facilitative role. This will not be easy and in particular the adoption of the consulting role and the change in organizational culture that this entails is likely to cause considerable internal debate and some degree of tension. The move away from direct operations may also alienate potential supporters and weaken the base of contributed support. A second set of “value” based problems may emerge from the balancing between the credit/finance approach on the one hand and the hunger/poverty approach on the other. Stylistically, these are two different worlds with quite different operating and procedural imperatives. To date, FFH has done remarkably well in being able to act like a micro-finance institution while pursuing social welfare goals. It has been able to do this because of a practical, “role up your shirtsleeves” approach which tends to subordinate ideological controversy.

## **7 3 Program Integration**

At this point in its development, the CWE program and FFH as an organization are virtually coterminous. FFH is a single product organization. Thus, CWE is what FFH

does and FFH is what the CWE program accomplishes. In fact, the name of the organization could quite easily be changed to Credit with Education without requiring any programmatic re-shuffling. By virtually any measure or comparison with American PVOs, this degree of integration and consistency between the content of the program and the perimeter of the organization is unique. In most PVOs, there are at least a few outlying programs that pursue targets of opportunity or that are remnants of prior activities. In the case of FFH, there is a clarity of program content that is unusual. Even where there are important initiatives - - such as the Learning Exchange or the Practitioner Service's Unit, these are directly related to the further design and expansion of the CWE concept.

This concentration on a coherent program structure, while not without defects discussed below, has very significant benefits. First, it means that the staff of FFH are assembled against a common set of program goals, second it means that the issues and the pros and cons of alternative approaches are broadly understood and that debate is informed and intelligent, thirdly, it explains in part the refreshing absence of theoretical debate within the organization and the quite practical approach to accomplishing objectives.

The sharp programmatic focus should not obscure the fact that the shift from an on-the-ground, implementing organization to a facilitative role constitutes a very significant transformation with deep implications for the long-term viability of the organization.<sup>17</sup>

#### **7.4 Strategic Direction**

The most fundamental question in any discussion of strategy is whether the organization is heading in the right direction regardless of the purity and logic of its mission statement and program structure. While this is a large and difficult subject, that exceeds the scope of this evaluation, it is the view of this evaluator that FFH is well positioned and that the basic strands of the FFH strategy have much to recommend them.

- The micro-finance movement is fashionable, well funded and appears to be reasonably effective and FFH has quite shrewdly linked itself to this trend line.
- The addition of a health education component for the very poor adds an attractive benefit and addresses one of the apparent weaknesses of micro-lending which is its tendency to access the richer of the poor.
- The debate within the micro-finance community about the balance point between business and welfare provides an opening that FFH can constructively exploit. If FFH can conclusively validate the utility of the CWE approach, the model or variants of it are likely to be widely adopted.

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<sup>17</sup> In fact, this transformation is so fundamental that it was surprising to the evaluator that the change in direction had not generated more controversy and disagreement. What is apparent is that FFH is small enough and sufficiently well integrated so that experience is shared and consensus emerges rather easily.

- The FFH decision to shift away from a direct implementation role recognizes the difficulty of working with indigenous organizations and the opportunities for broader impact that will materialize as a consequence of being more flexible, opportunistic and case specific. In a large sense this shift anticipates a change in direction that most American PVOs will have to make at some future point.
- FFH has a clear identity and a good reputation for being focused, mission driven, technically sound and innovative without being hair brained. They have sharpened and sculpted the CWE approach and managed to address many of the deficiencies in design. CWE has been tested in a sufficient number of locales to iron out most of the bugs and to provide an experiential base for launching the program to new locales.

While the basic strategic direction appears to be sound, there are several important caveats and areas for concern. As is often the case, the organizational weaknesses are the mirror images of organizational strengths.

**Insularity of perspective** While there is preliminary evidence that the CWE approach is effective and workable, there are also valid serious questions about the workability of the model. In particular, the issue of sustainability and the capacity for self sustained growth and the question of whether or not health education and village banking can be coupled together. The danger for FFH is that because they are so well integrated and at the same time somewhat insulated from dissident voices, they will ignore negative evidence. A good example is to interpret negative results of evaluations as evidence not of failure but an indication that the CWE model was not applied with the necessary rigor.

**Narrowness of approach** On the one hand, FFH should be applauded for its consistent and sustained focus on perfecting the CWE model. The danger is excessive reliance on one approach and the development of a sort of organizational mono-culture. Clearly, focus is much preferable to scatteration and it would be churlish to criticize FFH for doing so well where others have failed. However, the unfortunate reality is that change and intense competition are features of the non-profit world just as much as they are of commercial enterprise. FFH is in part riding the bandwagon of success of the micro-finance movement, which may change or even end.

**Rootlessness** FFH will soon shed direct operational involvement. The Ugandan program is wholly independent and the Bolivian program soon will be. In all other countries FFH operates through an intermediary with primary operational responsibility, FFH operating as consultant, advisor, mentor or coach. The danger is loss of practitioner credentials and hands on experience and the unfortunate image of a technical, elite, slightly academic organization operating in a remote location, spinning theoretical models that have diminishing relevance to the

difficult and gritty real world <sup>18</sup>

**Donor “Stovepiping”** One of the problems with the CWE model is that it does not fit neatly into pre-established donor defined categories - - health and nutrition, or economic development. This is certainly not an argument to compromise the model but it does mean that FFH needs to be very diligent in working the multiple bases within donor organizations in order to make sure that the various voices are in supportive harmony.

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<sup>18</sup> This is overstated to make the point. In fact, there are several ways that FFH can stay in touch including membership on boards of local organizations, long term management and technical assistance contracts and through the consulting work of the Practitioner Services Unit.

## 8 The Planning Process and the Long Range Plan

FFH is an organization that engages in an extensive amount of planning. Planning occurs at both the organizational and program level. Thus FFH has produced a 5-Year Plan for 1994 –1998 and a second 5-Year Plan for 1999-2003 as well as a business plan for the Practitioner Services Team.

The published 5-Year Plans are short, goal oriented and designed both for internal purposes of setting objectives and the validation of core values and for external consumption of donors and supporters. These plans are very positive and upbeat and do not engage in a deeply analytical process of self assessment or the identification of organizational weaknesses or threats - - although they are based on considerable analytical thinking. The 1993-98 Plan provides a rationale for CWE, describes how CWE works and projects program growth. The 1999 –2003 Plan explicitly emphasizes “goals, concepts and language” and briefly outlines the shift toward a catalytic role.

It would be inaccurate to think of these plans as “strategic” since they do not attempt to describe the external context and challenges or to chart an optimal course to navigate FFH through difficult and challenging waters. While the written plans are deficient in this respect, interviews with FFH staff and a review of notes from the Planning Retreat suggest that the organization does engage in risk identification and analysis albeit not captured in narrative description. Planning at the program or organizational level is more analytical and does identify challenges and weaknesses that need to be addressed. Thus the plan for the Practitioner Services Team identifies a number of very real impediments that need to be considered.

Freedom from Hunger’s 1999-2003 Plan establishes a goal of reaching 1 million women through CWE<sup>19</sup>. The Plan also outlines a shift to a facilitative role whereby FFH will encourage others to adopt the CWE approach and provide the technical assistance that will permit this to happen. The Plan places considerable emphasis on evaluation and documentation to validate the utility of the CWE model and on the Learning Exchange to provide a fabric of institutions through which FFH can proselytize in order to meet its quantitative goals. The Plan gives explicit attention to the importance of influencing others although it is planned to continue “deep involvement” in a few selected programs such as Uganda and Bolivia as “laboratories and “showcases” for CWE.

The Practitioner Services Business Plan is much more definitive and analytical. It outlines a strategic approach, describes a potential market, identifies the competition, addresses pricing issues and establishes a growth path for the Team and the program. This is an impressive planning document that outlines a clear picture of a future FFH, the steps that need to be taken to move successfully in that direction and the risks that are likely to be encountered on the way.

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<sup>19</sup> 300,000 through FFH and 700,000 through the organizations that comprise the Learning Exchange

The Practitioner Services strategy involves a marked shift away from direct operations toward a facilitative role based on providing technical assistance to NGOs and PVOs that will help them develop and apply the CWE approach. The new Team, led by a senior and very experienced expert in micro-finance, is to operate like a consulting firm. It is expected that the Team will be treated and behave like a cost center and gradually cover its full costs within five years. The basic rationale for this approach is that there is a latent *demand* for CWE methodology and application, a deficient understanding of how the program should be designed and managed, an absence of reliable, high quality technical advisors and finally and most importantly a willingness to pay for necessary services. The new Team plans to function much the way a consulting firm would and to actively pursue business opportunities, bid competitively on work and eventually charge a full loaded rate for services provided. Direct oversight and management of a few CWE programs will continue in a few countries for "laboratory" purposes but these will be phased out when they have reached full self sufficiency. The strategy places heavy emphasis on the high potential of working through credit unions since these are broadly dispersed in many nations, have access to financial resources and the necessary management structure and set of systems and controls.

The strategy is attractive because it promises wide replication of CWE at declining and eventual break-even cost without the attendant management problems that come with difficult partnership relations. The plan is very much driven by the importance of sustainability. From an organizational perspective it permits FFH to continue a steady state of operations (i.e., at flat budget levels) while at the same time accommodating a gradual reduction in donated revenue, which is offset by earned income from Practitioner Services.

By and large, the Business Plan is honest in identifying weaknesses in the strategy and the risks of the approach.<sup>20</sup> These include the disinclination of PVOs and NGOs to pay the full loaded cost of provided technical services, the tendency of prospective clients to believe that they can design their own approach, the difficulty of convincing credit unions of the attractiveness of the CWE model and the danger that the micro-finance movement in general will move toward "best practices" and away from an emphasis on poverty alleviation. In addition - - though not mentioned in the Business Plan - - the gradual shedding of a direct operational role may have a negative impact on FFH's capacity to raise funds from donors, and individuals in particular, who have supported the organization because of its direct access and outreach to the poor. Finally, it may be difficult for the staff of FFH to wholeheartedly adopt the values and practices of a consulting firm and to operate in the "lean and mean" mode that will be essential if they are to be compete successfully in single product low margin market.

While staff are quick to point out that the new approach does not necessarily equate with

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<sup>20</sup> In addition, the President in his periodic reports to the Board has been comprehensive and perceptive in his listing of threats and dangers. See President's Report to the Board of Trustees, September 1998.

being opportunistic and that Practitioner Services will only accept work that relates to FFH's core mission, the pressure to break even financially is likely to create difficult internal pressures. Dilemmas that will arise will include the extent to which FFH should bid on lucrative USAID contracts, perhaps in direct opposition to commercial firms, the difficulty of ensuring a high quality, uniform approach when working through external consultants, the calculation of overhead rates and the competitive cost structure of the "firm", how strictly to stay within the parameters of CWE, the financing of growth and the cash management problems that arise when small organizations win large contracts.

Regardless of these concerns, FFH has constructed a coherent strategy for program expansion and organizational development for the next five years. The Plan satisfies several important standards that might apply to any organization's long range plan and process.

It is *goal oriented* in that it establishes a clear and measurable set of long term objectives.

It is *integrated* in that the component pieces fit together in a logical and mutually supportive manner - - there are no anachronistic outliers or special initiatives that will consume inordinate time and energy and pull FFH off track.

In most respects, it is *consistent with prior experience and in alignment with the fundamental values* and core aspects of the current program. (Although, as noted below, the shift to a consulting firm mentality may be problematic.)

It appears to have been constructed in a *participatory manner* so that staff and board members are sufficiently part of the analytical process to "buy into" the basic approach and have a clear intuitive sense of where FFH is heading.

It derives from a reasonably candid *assessment of external context* and external "opportunities and threats".<sup>21</sup> Thus, the strategy is cognizant of a static level of charitable support for international programs, the likely decline in the level of central support from USAID, the growing imperative of self support and revenue generation and the continued popularity of micro-lending, balanced with a more human face.

It is a plan that is expressed and can be *measured in financial and budgetary terms*.

Most importantly it is *strategic* in that it addresses several of the fundamental long term strengths and weaknesses of FFH and the CWE program including

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<sup>21</sup> However, and as noted elsewhere in this Report there is a danger that FFH could become too insular and insensitive to alternative perspectives. An effort needs to be made to occasionally interject an iconoclastic view.

static levels of contributed resources, the difficulty of managing partnership relations and the limited capacity for program growth that is a consequence of an approach that emphasizes direct operation

The fundamental danger in the FFH strategy is the mirror opposite of its strongest attribute a narrowness of approach and an excessive dependence on a single product which may fail, go out of fashion or be expropriated by others This risk is to some degree exacerbated by FFH's remote location, low staff turnover and a unitary and single minded staff focus or "mono-culture", as one interviewee observed

## 9 LEADERSHIP AND PARTICIPATION

Leadership is subjective, difficult to assess and particular to the individual culture of the organization. In general, 3 factors are critical:

An alignment of *values and beliefs* between the leaders and staff

A sufficiently *high level of technical expertise* to generate respect and to insure competent decisions making

Appropriate *interpersonal skills* and a degree of participation that is consistent with expected organizational norms

In the opinion of the evaluator, the current senior staff of FFH does extremely well in all respects. The President of FFH has been with the organization for many years and has been directly instrumental in designing and shaping the CWE program. He has strong academic credentials, a very high level of technical competence and a good understanding of organizational dynamics. Other senior staff is equal in their long experience with the organization, their impressive understanding of program content and operations and their manifest commitment to the replication and success of the CWE approach. While it would be unlikely and undesirable for any organization to float in a completely calm sea of consensus and mutual admiration, the degree of ideological discontent is remarkably low. The operative atmosphere is focused, pragmatic, goal oriented and professional.

## 10 ORGANIZATION AND STRUCTURE

FFH is a small to medium-size PVO with a staff of 30 at the International Center in Davis, California. The Center is structured around *teams* including the Management Team, Practitioner Services, Research and Innovation, Finance and Administration, Communications and Resource Development. A more traditional hierarchical structure is overlaid for reporting purposes. The structure is broadly aligned with the primary programmatic goals of the organization and tracks clearly to the priorities that are set forth in the long range plan.

This evaluation did not attempt an in-depth structural assessment. While not all staff were interviewed, there was no dramatic indication of a serious flaw in the organizational framework. The following comments about the pros and cons of team structures are generic and put forward not as conclusions but for purposes of discussion.

While team structures promote “teamwork”, they are heavily reliant on shared commitment and a pervasive agreement regarding fundamental program goals. They are useful in organizations that place a high value on participation and consensus and effective in ensuring standardization in approach. Team structures may be less effective in highly dynamic environments that require agility and rapid adaptive change. They may also be problematic in situations where the service units of the organization are required to support the line activities of several teams and priority setting becomes difficult.

In the view of the evaluator, the FFH team structure appeared appropriate and workable and in line with the style and values of the organization. However, there are two potential issues that management may wish to consider. The first is the apparent absence of clear centralized responsibility for oversight of field operations. In recognition of FFH’s commitment to the CWE program, the organization has adopted a functional rather than geographic structure. While this makes sense with respect to perfecting and marketing the CWE approach, it may be less effective in managing and backstopping field operations and in developing a full headquarters understanding of the administrative difficulties that are faced in running the CWE program.<sup>22</sup>

A second potential issue is whether the team approach will be appropriate for a business oriented competitive consulting operation that requires clear direction, rapid decision making and an aggressive level of purposeful energy. Good or bad, successful consulting operations require a capacity to immediately respond to emergent opportunities with a large massing of staff capacity.

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<sup>22</sup> See notes from interview with Elizabeth Hunt

## 11 ORGANIZATIONAL LEARNING

The idea of the “Learning Organization” has become recently very popular. For most, a “learning organization” is an organization that looks critically at what it does, conducts independent and objective evaluations and acts constructively on this information. At a deeper level it is understood that a learning organization is an organization that is able to periodically examine the internal structure of beliefs, premises and hypotheses through which it sees itself and the world in which it operates - - a much more difficult - - and for some organizations - - impossible task.

FFH is quintessentially a “learning organization” at least in so far as the first standard is concerned. The organizational structure gives prominence to research and evaluation (the Research and Innovation Team), studies and program information are broadly distributed and shared, the strategic plans place great emphasis on testing, researching and evaluating the CWE model and a senior, experienced and very competent professional has been brought in to manage the evaluation effort. Studies and research clearly consume a great deal of the time and effort of senior staff. It is quite clear that FFH, as an organization is truly committed to and interested in learning from the studies and research that it sponsors and on learning from what it does. In fact, one of the concerns about FFH is that in some respects the organization is *too* “cerebral” or academic and excessively pre-occupied with studies and research at the cost of day to day practical management of operations. Whether or not this was the case at a previous point, the priority emphasis on understanding the impact of the CWE model and attempting to validate its utility appears currently quite appropriate in view of the importance of “selling” the approach to prospective clients.

The deeper question is whether FFH can pull back and periodically look at the basic values that shape the decisions that the organization makes. Because FFH is so focused and deeply committed to the CWE approach, without a strong internal dissenting voice, it will be especially important to deliberately design periodic sessions to challenge conventional wisdom.

## 12 PROGRAM EVALUATION AND MONITORING

In part because the FFH/CWE model is a departure from the traditional micro-lending approach and in part because it is a uniquely FFH "product" and its success is closely associated with the success of the organization, there is a strong institutional incentive to carefully document results and broadcast stories of success. FFH has a senior, full time evaluation officer and an organizational Team for Technical Assistance, Monitoring and Evaluation. The conduct of studies, evaluations and the measurement of impact and results are a central and very important aspect of the work of the organization. The relative importance of self-analysis is likely to increase as a consequence of the shift in role away from operations and toward facilitation and service. The success of the new Practitioner Services Unit will rest heavily on the ability of FFH to convincingly demonstrate the utility of the CWE model and to convince others to seek assistance in the design and installation of similar initiatives.

FFH has developed both financial and non-financial monitoring systems for tracking key information. The financial monitoring system has two components. The Credit Monitoring System is designed to provide an up to date accounting of the status of each program's credit portfolio. On a monthly basis, program managers report the amount of loan principal and interest outstanding, overdue or delinquent for each credit association.

The Administrative Financial System provides, on a monthly basis, an independent verification of the accounting records and a measurement of actual program expenses against the annual program budget. Information from these two systems is used to monitor the financial sustainability ratio - - the relationship between program revenue and program cost.

Non-financial monitoring includes a Credit Association Monitoring System that concentrates on the performance and impact of individual credit associations. This system tracks such things as rates of attendance at credit association meetings, membership turnover, weekly savings, repayment rates, status of the internal fund. Information from this and related reports is used to assess the overall capacity of the credit associations and provides a basis for determining how much technical assistance they will require. In addition, FFH has initiated a series of longitudinal case studies of participants to measure the impact of CWE on women's businesses and health/nutrition behaviors.

FFH conducts four types of evaluation studies. In all new programs, FFH conducts two types of baseline assessments. A credit assessment investigates current economic activities and the credit needs of women. Field staff also conducts a Knowledge, Attitude and Practice Survey to determine local health/nutrition practices and beliefs. The survey results are used in the detailed design of specific learning sessions. Secondly, FFH in collaboration with University of California, Davis has conducted two impact evaluations in Ghana and Bolivia. The research uses a baseline and follow-up analysis to evaluate

program impact on maternal and child nutrition. In addition to examining impact on nutritional status and food security, these studies also evaluated the impact of the program on the intermediary benefits of poverty alleviation, empowerment and behavior change.

## 13 FINDINGS

### 13 1 FFH Background

The difficult 1995-1988 transition has had a defining impact on core values and the way that FFH currently operates. In particular this takes expression in FFH's sense of ownership of and commitment to the CWE approach and disinclination to deviate from the testing and application of that model at least for the foreseeable future

- The genesis and history of FFH has insured a primary and abiding focus on health, nutrition and food security. The core interest of the organization lies in addressing the human problems of poverty. The challenge for FFH will be to maintain a balance between this core commitment on the one hand and micro-lending as a mechanism for accomplishing poverty objectives on the other. The last few years have, of necessity, required FFH to concentrate on the delivery mechanism. The shift in emphasis back to a concentration on design of the education component - - health, nutrition and poverty impact seems appropriate and consistent with the fundamental identity of the organization.
- The difficult and perhaps near fatal experience with program scatteration has given the current leadership a strong commitment to sustained concentration that reflects what is perceived to be distinctive organizational competence. As a consequence, FFH is unlikely as an organization to suddenly strike out in a new direction or embark on an innovative adventure. The positive result is that FFH is likely to gradually and persistently become technically very expert in what they do. The downside may be a resistance to change, inflexibility in the face of contrary opinion and a tendency to maintain an approach beyond its useful life.
- Although it would be easy to be dismissive about the opportunistic nature of the CWE approach since it quite cleverly touches many of the more fashionable development themes, in fact most of the components of the model are rooted and can be found in FFH's history and culture. These would include, of course, the emphasis on maternal and child health and nutrition but also the emphasis on education and awareness, the implicit importance of self-reliance and individual initiative.
- Although FFH has been gradually moving away from a directly operational role, a tradition of being a direct provider of assistance to the hungry poor will be difficult to completely abandon. The shift to a catalytic role is likely to be more problematic and difficult than surfaces from the enthusiastic documents that describe this transition.

## 13 2 Impact

- The credit with education program has effectively responded to the *goal* and *purpose* of the Matching Grant. This is particularly evident in cases where progress can be measured quantitatively - - number of members, number of credit associations - - and reasonably though not conclusively apparent with respect to qualitative change - - changed behavior, improved health and nutrition status
- Program results during the grant period appear to be broadly supportive of and compatible with the strategic objectives of PVC

## 13 3 Sustainability

- The FFH/CWE program has achieved a rate and degree of organizational sustainability that is reasonably compliant with the original intent of the Matching Grant. Although country composition has changed and levels of sustainability vary on a case by case basis from planned levels, overall progress is consistent with original intent
- As an organization, FFH has a strong and convincing commitment to sustainability that permeates the organization and that is reflected in its relations with clients and partner organizations. FFH does in fact appear to mirror the “social enterprise” model that is simultaneously committed to “near” sustainability and the achievement of social service objectives
- FFH deserves substantial credit for beginning to address the implications of a predominant concentration on sustainability and “bottom line” performance at the expense of social purpose objectives. There may not be a formulaic answer to this difficult dilemma but it is a central issue that is at the heart of micro-finance programming
- FFH’s measurement of sustainability focuses primarily on organizational and financial issues and on the credit side of credit with education, which is perhaps inevitable in view of the difficulty of measuring program sustainability. While it is reasonably clear that those intermediary micro-financing entities that FFH supports are increasingly sustainable, it is not conclusively evident that the CWE program would be sustained and continue to flourish on its own if FFH participation were to disappear. In fact in two cases (Thailand and Mali), the educational component of the program was dropped after the partnership with FFH ended. (Although it has not been dropped in Burkina Faso, Togo, Ghana and Honduras where the FFH involvement has also effectively ended )
- It is important for both USAID and FFH to be sensitive to the consequence of heavy reliance on financial sustainability as the sole indicator of program success. There is a

very real risk that excessive repetition of this priority will tend to bias implementation decisions in favor of the business approach to micro-finance at the expense of poverty objectives. To date, FFH has been diligent and generally successful in its ability to find a balance point but this capacity needs to be deliberately maintained <sup>23</sup>

#### 13.4 The CWE Model

- The FFH/CWE approach has the attributes of a “model” in that it is distinctive and seen as a FFH “product”. During the Matching Grant period, FFH has refined and adjusted the approach and developed a standard set of formatted procedures and practices. The CWE approach is generic and while country by country adjustments are necessary, it can be taken off the shelf and applied in a variety of settings. Together, these elements constitute a distinctive methodology or model that FFH can quite appropriately claim to be its own.
- The CWE approach fills an important niche in the micro-credit field through its emphasis on social impact, the priority it accords to reaching poor women in remote areas and the lending and education package that is tailored to the particular needs of the poor.
- The *direct* (unburdened) monetary cost of the educational component of the CWE program is quite modest and none of the studies or evaluations that were reviewed for this evaluation raised educational cost as a serious issue. There is good anecdotal evidence that the education component is an attractive inducement to the poor to join and participate in the activities of the credit association and there is strong intuitive logic to the sequential set of propositions that health education leads to wiser health choices, healthier families, lower health costs, increased time for income generation and more profitable enterprise. However and importantly, there is no conclusive empirical measurement of the difference between credit with education and credit without. Whether or not addition of the education component improves or erodes the economic productivity of borrowed funds and whether or not the credit component undercuts the utility of health education is simply not yet known.
- Studies and observation support the basic contention that the CWE approach has a dual impact - - providing credit to help support enterprise growth and educating participants in improved MCH practices. Whether or not there is a significant degree of erosion in the credit component as a result of bundling education or a reduction in the education component as a consequence of the linkage with credit has not been determined.
- A serious potential deficiency of FFH’s micro-credit approach is the possibility that

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<sup>23</sup> Importantly, the Matching Grant from PVC has been very instrumental in giving FFH the latitude to design a hybrid micro-finance program and the institutional breathing room to voice a contrarian point of view - - to the consternation of some.

significant shares of borrowed funds are being allocated to non-productive household consumption rather than capital formation and enterprise development. To the extent that this is true, the CWE program is deficient with respect to the achievement of one of its stated objectives. Importantly, however, to the degree that borrowed funds are being allocated to increased food security and family health, CWE is accomplishing its other objective. While studies to date do indicate a higher and more diversified level of economic activity, increased income and higher profitability it is not clear that this level of enterprise formation is sufficient to justify the installation of a credit program. (It is important to emphasize that this issue is posed as a question not a conclusion.)

- In-country management ability is the single most important indicator of program success. Management of a micro-credit program is difficult to begin with and doubly so with the addition of the education component and a decision to work in remote rural areas and with very poor women. For the CWE program, management must include not only incorporation of micro-credit “best practices” but a simultaneous and balanced understanding of training and group facilitation and a capacity to lead and motivate a staff that is balancing dual program components that may at times appear incompatible. The centrality of management and the issues that emerge from a program with several objectives has important implications for the Practitioner Services Unit and for efforts to gradually disengage from direct overseas operations. A very real long term issue is whether independent local organizations will have the ability to manage both a credit and an education program. For CWE, the issue of sustainability is less financial and much more organizational.
- The FFH/CWE model promises a lot: growth in household income as a consequence of enterprise development, behavioral change, healthier families, empowered women, wide potential impact, little or no subsidy and “near” (and sometimes even full) sustainability. At the same time, studies to date indicate that very few micro-lending programs are fully covering their costs and the ones that are, are not dealing with the very poor nor are they pursuing social goals. This appears to be a basic contradiction that could lead to several alternative conclusions. First, it may be the case that the FFH/CWE approach is so effective that it will be possible to stick with the very poor, have a dual impact and at the same time reach a substantial degree of sustainability. Alternatively, it may be the case that the FFH/CWE model simply overstates what will be achieved and promises too much - either not all the benefits will be realized or all will be realized but at lower levels of success than would otherwise be the case. A third variant is that the FFH/CWE model is beginning to define a middle and balanced approach to micro-credit, which corrects for an excessive emphasis on enterprise creation and the bottom line and permits some degree of subsidy in order to achieve social goals. What is needed in order to refine the model is a sharper understanding of the trade-offs: how much subsidy is needed, how close to participation can we come, what is the economic effect of income smoothing, etc.

### **13.5 Partnerships**

- Developing local partnerships has been challenging. Difficulties include the tension between a well-tested model on the one hand and organizational independence on the other, the preponderance of design over delivery and the duality of the CWE model. Other difficulties include the small size of the FFH staff, limited capacity to engage in the labor intensive process of mentoring and hand holding required in partnership relations and the inherent tensions that accompany partnerships involving financial programs because of the greater need for accountability and oversight.
- A balanced assessment concludes that FFH has made a very serious and honest effort to build strong partnerships with mixed success due in good part to the inherent characteristics of the model. The record suggests that the decision to gradually move away from a direct operational role is a wise one at least from the point of view of comparative advantage.

### **13.6 Organizational Strategy**

- FFH is well integrated and has a clear and focused sense of mission and purpose - - the organization and the program it provides are synonymous. There is broad consensus with regard to strategy and objectives and with respect to the difficulties and opportunities that will affect the future of the organization.
- FFH will need to continually balance between a dual identity of being a "bottom-line" credit organization on the one hand and a poverty oriented development agency on the other. On balance the tension is a healthy one and allows FFH to serve a valuable ombudsmen role within the micro-finance community.
- A related issue for FFH is the malleability of the CWE model. Because the current approach is so clear and sharply focused, with a strong internal staff constituency, it may be difficult to adjust the approach to changing conditions. Issues include how far the organization deviates from its traditional focus on food and nutrition and places emphasis on health or any other pertinent social concern faced by the poor, whether or not FFH should continue to focus exclusively on women, on the very poor and on rural populations.
- A central issue for FFH will be how to maintain direct contact with the practice of development while at the same time moving to an indirect, catalytic role. This has important implications for fund raising, for an understanding of what works and in order to wisely shape the long term future of the organization. A critical factor is whether the Practitioner Services Unit can carve out a significant domain for itself.
- A serious external concern is prevalent skepticism toward the benefits of integrating

education with credit To some degree this concern is legitimate (and can be addressed by FFH) but to some degree it is irrational and reflects the ideology of the micro-finance movement FFH can serve an extremely valuable role in continuing to challenge a mono-culture of beliefs and help develop a diversity of program models for a diversity of conditions

- Strategic dangers or weaknesses tend to be the mirror opposites of organizational strengths and include insularity of perspective and the danger of maintaining a course of action beyond its useful life, a narrowness of approach and the danger that trends in development will shift, rootlessness from direct operational experience

### **13 7 Planning**

- Despite the absence of a single, comprehensive strategic plan, FFH takes planning very seriously and uses the planning process to articulate objectives, identify issues and chart direction The Practitioner Services Business Plan is a thoughtful and well developed strategy for moving toward financial independence While the strategy raises several important issues, it is a solid and admirable attempt to directly address the market realities and to position FFH in a niche that will take advantage of its distinctive competence

### **13 8 Leadership, Structure and Organizational Learning**

- While not a primary area of inquiry for this evaluation, leadership appears to be strong and characterized by alignment of beliefs, a high level of technical competence and strong interpersonal skills The level of internal tension and dysfunctional behavior appears to be quite low
- While difficult to document, the current staff complement appears to be modestly below the optimal level given the range, complexity and diversity of what FFH is attempting to accomplish As is virtually always the case in PVOs of this size, senior management - - in particular, the President - - is stretched too thin While funding is obviously a constraint, this evaluation would be supportive of staff expansion at the senior middle management level
- The team based structure is, on balance, appropriate for what FFH does While there are weaknesses to this type of organizational framework, it is compatible with the values of the organization
- FFH is very much a “learning organization” and gives considerable emphasis to internal self examination and to the importance of evaluations and impact research However, because the organization is so well focused and integrated, FFH may at times be the captive of its own world view For this reason, it will be important for the senior staff to deliberately interject alternative perspectives

- FFH has developed a variety of monitoring and evaluation techniques. As noted, evaluation and research are taken very seriously. As emphasized throughout this report, one of the most important functions that FFH should continue to play is that of provocateur to the micro-finance movement. To do this convincingly, FFH will need to maintain a strong analytical capacity.

## ANNEXES

- A Scope of Work
- B Evaluation Team Itinerary
- C Partial List of Persons Contacted

**ANNEX A**

**EVALUATION SCOPE OF WORK**

## **EVALUATION SCOPE OF WORK**

### **Freedom From Hunger**

#### **I PROGRAM IDENTIFICATION**

Freedom from Hunger  
Matching Grant #FAO-0158-A-00-2044-00  
Credit with Education for Women Program  
Five Year, \$3 million Matching Grant (1993-1998)

#### **II PROGRAM BACKGROUND**

Freedom from Hunger was formed in 1978 from the merger of two organizations, Meals for Millions and the American Freedom from Hunger Foundation. By the mid-1980's the new organization was increasingly aware that the small scale, diverse focus, high cost and low sustainability was a serious problem. In 1988 a decision was made to deliberately focus the program on cost effective, replicable, large scale interventions to enable the vulnerable poor to help themselves eliminate the immediate causes of chronic hunger and malnutrition. A 1988-93 USAID Partnership grant was designed to support this programmatic transformation and to develop and test a Credit with Education program of integrated financial services (credit and savings) and health/nutrition education. In 1993, USAID provided a second \$3 million Matching Grant to support FFH capacity and to determine if Credit with Education could be developed on a large scale and become fully sustainable in seven quite different countries. An additional \$17 million will be leveraged from other sources to fund program support and evaluation costs.

The methodology and strategy are the same in all seven countries. Each Credit with Education Program is operated by an indigenous partner organization to which FFH provides technical assistance, training and operations funding. Two countries (Bolivia and Uganda) are directly operated by FFH and are considered "subsidiaries" of the parent organization. In the other five countries (Ghana, Togo, Mali, Burkina Faso, and Honduras) the program is managed by autonomous affiliates. The immediate purpose is to use the educational component of the program to motivate 32,000 to 70,000 very poor rural women to gain access to quality food, breast feed their children for a minimum of 6 months, practice contraception, obtain full immunization for their children and be able to manage diarrheal episodes. An important objective is to achieve operating self-sufficiency with financial income covering operating costs and an adequate loan-loss reserve. It is hoped that this will be accomplished in seven years, although in two instances (Ghana and Burkina Faso) it appears to have been already achieved. If successful it is hoped the program can be expanded to the national level to assist hundred of thousands of very poor, rural women on four continents.

An important related purpose of the matching grant was to support FFH's organizational capacity to test, modify, adjust, adapt and learn from this pilot program. This involves the capacity to learn from experience and effectively incorporate this information in governance, planning, management and operations. More specifically, it included the design of an effective monitoring and evaluation system.

### **III PURPOSE OF THE EVALUATION**

The evaluation has two purposes. The first is to assess to extent to which the project met its objectives and to provide an institutional assessment of FFH. The first purpose will rely heavily on completed reports and evaluations and on field visits to two countries. The second purpose will rely on at least one headquarters visit and on a series of group and individual discussions with FFH management and staff and with staff of local partner organizations.

The "audience" for this evaluation includes the board, senior management and staff of Freedom from Hunger, the staff of PVC/USAID, the management and staff of partner and participating organizations.

The evaluation will be structured to fulfill the requirement of the USAID/BHR/PVC matching grant program and PVC may use this information in its Annual Results Report and in the review of subsequent application for funds from FFH.

### **IV EVALUATOR STATEMENT OF WORK**

(Part A of the following pertains to a review of implementation progress against the Project Objectives, Part B pertains to the institutional assessment.)

The evaluator will assess the following program and institutional elements, providing evidence, criteria for judgment and citing data sources. The evaluator will assess both headquarters and country programs in two of the following countries: Mali, Senegal, Uganda, Ghana or Bolivia.

#### **A Program Effects and Impact 50%**

The evaluation will address the following concerns. These relate primarily to a review of progress to date in achieving the objectives stated in the Matching Grant program application.

#### Project Objectives, Effects and Impact

1. Based on original intent as set forth in the Matching Grant application, (logframe/program planning matrix, or statement of program purpose) have objectives with respect to the design, testing and modification of the Credit with Education Program been met?

2 What indicators have been used to measure project effects and impact? Are these indicators valid, objective, adequate, reliable, cost effective and relevant? (Also see below )

3 What important constraints or unintended difficulties have been encountered that constitute “lessons learned” for the future?

#### Sustainability

1 What elements were intended to be sustained in the program?

2 To what extent are Credit with Education country projects currently sustainable? What effect will the sustainability findings have on program expansion?

3 Is there evidence of cost recovery, local level financing, or other approaches to generate resources to support project operations?

#### Partnerships

1 Has FFH established strong and constructive working partnerships with local organizations? (NGO's, local governments, community organizations )

2 Are roles and responsibilities and decision making structures clear?

3 What mechanisms have been employed to ensure effective relations?

4 How is FFH perceived in the field by its implementing partners?

5 Is FFH working strategically with local organizations to transfer knowledge and understanding of the FFH model?

6 Does FFH have an adequate understanding of the institutional strengths and weaknesses of its local partners?

7 Does FFH have a systematic approach to assessing local institutional capacity?

#### The Model

1 How effective is the Credit with Education Model, based on available data and existing or ongoing studies? What evidence is there that

The matching grant helped FFH develop a distinctive approach to working with poor rural women?

The matching grant helped FFH articulate, refine and advance its model approach to working with the rural poor?

The FFH model effectively adapted to the needs and characteristics of different situations?

The grant helped FFH take “lessons learned” from one country context and adapt and apply them to another and/or to a refinement in generic approach?

The grant has resulted in leveraging additional resources (beyond the match)?

## **B Program Management and Institutional Assessment 50%**

A broad purpose of the Matching Grant was the generic strengthening of FFH as an institution. While the grant supports specific activities (an institution wide evaluation system) underlying the specifics was a broader conception of a more effective, viable and dynamic organization. The following series of questions attempts to suggest a framework for getting at the issue of strengthened institutional capacity.

### **1 Strategic focus**

Has the grant helped FFH develop a sharper, more coherent strategic focus on what it does and how it does it? (What changes are there in Headquarters’ capacity to manage the planning process and address over-arching program issues of replication, potential economies of scale and sustainability?)

Is there broad consensus within the organization with respect to organizational values, goals and approach?

Are future growth plans financially, programmatically and organizationally realistic and feasible?

In what way has the organizational personality, culture and history of FFH defined the options from which the organization has made choices and influenced the future range of strategic options?

Does the “think tank” and “consulting firm” model with respect to headquarters/field relations make strategic sense? Is this a feasible strategy for organizational sustainability?

Has FFH developed a “business plan” for addressing organizational sustainability?

What are the relative advantages and disadvantages of small size and narrow mission and a single, focused strategy with respect to long term organizational

viability?

## **2 Program Evaluation, Monitoring and Organizational Learning**

### Organizational Learning

Has the grant helped FFH address internal barriers and constraints to organizational learning?

Is information openly and efficiently distributed and shared in a manner and form that is conducive to learning?

Is FFH learning process capable of a reasonable degree of iconoclastic thinking that constructively questions conventional wisdom and accepted truths?

What changes have occurred in the organization's capacity for critical and analytical thinking regarding program design and impact? (Is there evidence that the matching grant has fostered a capacity for self-evaluation and/or an ability to conduct quantitative or qualitative analysis to refine interventions?)

### Evaluation

Has FFH developed a cost effective evaluation system that is used, and a source of organizational learning?

Have the monitoring and evaluation lessons from the FFH grant been institutionalized in other FFH work?

Has FFH acted on recommendations from the midterm evaluation?

### Performance monitoring

Has the grant helped FFH identify, refine and install a performance measurement and indicator systems that are helpful to managers?

Does FFH employ

Baseline assessments against which to measure progress and impact?

Impact and performance measurement techniques?

A system (MIS) to consolidate, analyze and interpret project data?

A process for transferring skills and capacity to local partners?

Has FFH

Conducted periodic review of performance data by project personnel and taken actions as a result of review?

Institutionalized performance monitoring and impact evaluation systems into other non-PVC grant funded programs?

Used program results for U S public outreach activities?

### **3 Leadership and Participation**

Has the grant helped FFH mature and balance between the importance of participation and consensus on the one hand and leadership and managerial direction on the other?

Is the nature and degree of managerial oversight appropriate to the needs and values of the organization?

### **4 Organization and Structure**

Is there compatibility between the management structure and operating framework and program goals and content?

### **5 Human Resources**

Has the grant helped FFH attract and develop the caliber and mix of human skills appropriate to what FFH does?

Is staff morale positive and energetic?

Are communications open and direct?

Are professional development plans in place?

Are headquarters/field relations structured in a manner that effectively balances between the need for consistency and direction on the one hand and autonomy and adaptive flexibility on the other?

### **6 External Relations**

Has the grant helped FFH forge a structure of long-term relationships that will have the dual benefit of replicating what FFH does while providing a fabric of supporting institutional linkages

## **V EVALUATION METHODS**

### **Sequence**

Preparation of Scope of Work

Preparation of detailed interview guide for FFH staff and partner organizations

Participation in FFH staff retreat

Team Planning to identify purpose level objectives and an appropriate set of indicators

Headquarters meetings and interviews

Review and analysis of existing reports and evaluations

Field trip

Feedback and discussion of findings with FFH and PVC staff

Issuance of draft report

Comments and reactions

Issuance of final report

**ANNEX B**  
**ITINERARY**

**SCHEDULE** (approximate)

Preparation and Background	December 28-31, 1998
Headquarters visit	January 3-9, 1999
Field trip	January 18- 28, 1999
First draft	February 20, 1999
Headquarters briefing	March 10
Final Report	March 31, 1999

VII Level of Effort

A total level of effort of 50 days is anticipated

**ANNEX C**

**Partial List of Individuals Interviewed**

### Partial List of Individuals Interviewed<sup>1</sup>

Ashe, Jeffrey, Consultant  
Bacca, Iliana, USAID/Bolivia  
Boyle, Philp, Independent Consultant  
Dichter, Thomas W , Independent Consultant  
Dickey, Joan F , Vice President Finance and Administration  
Dodson, Christine M, Special Assistant  
Dunford, Christopher M , President  
Foly, Ayele J, Regional Trainer, Africa  
Gardella, David, USAID/Bolivia  
Hewitt, Martin, USAID/BHR/PVC  
Hunt, Elizabeth, USAID/G/MED  
Justice, Donna, Development Associate  
MkNelly, Barbara, Senior Technical Advisor Evaluation  
Owens, John, Microfinance Specialist, USAID Bolivia  
Perreault, Martine, Director, Project Support Office, Mali  
Ridgely, Robert, General Manager, Freedom from Hunger, Crecer, Bolivia  
Roark, Peggy, Director Practioner Services  
Rue, da Fernandez, Isabel, Training Coordinator, Crecer, Bolivia  
Schubert, Emily, Technical Advisor  
Stack, Kathleen, Senior Vice President  
Thys, Didier, Vice President, Practioners Services  
Vor der Bruegge, Senior Vice President  
Young, Jack, Financial Analyst

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<sup>1</sup> This list does not fully include all staff members of FFH Bolivia